INCOME DIVERSIFICATION THROUGH MUNICIPAL BONDS

2023 began with a solid start for income investors following significant outflows and volatility created by the spike in interest rates in 2022. Interest rates have steadied, volatility is down, and most importantly for long-term income investors, inflation is down significantly. In our view, this continues to represent an excellent opportunity to earn real income while diversifying away from public equities and other income vehicles that employ leverage to generate returns, given the difficulty to make that type of model work in this environment.

Inflows in the Municipal bond market are slightly positive for the year as the larger market participants have focused on restoring liquidity levels caused by the stress of 2022. The High Yield Municipal market has lagged somewhat and offers a compelling opportunity in our opinion. In comparison to High Yield corporate bonds, similar rated municipals have at times offered yield advantage, not even taking the tax advantage into account. High Yield Municipals can also offer excellent diversification from equity heavy portfolios. GSTAX correlation to the S&P 500 composite index and Nasdaq is just .45 and .47 respectively since inception, 9/5/17.

KEY NUMBERS as of 6/30/23			
June 2023 Inflation		**Other Notable Yields**	
CPI YoY	5.43%	Morningstar US High Yield Muni	3.68%
CPI Core YoY	2.97%	Morningstar US High Yield Corporate	5.75% (taxable)
AAA Muni Yields		**GSTAX Distribution Yield**	**6.21%**
3Y	2.77%	Taxable Equivalent Yield	10.35%
10Y	2.55%	30-Day SEC Subsidized Yield	5.64%
30Y	3.56%	30-Day SEC Unsubsidized Yield	5.57%

The performance data quoted represents past performance. Past performance does not guarantee future results. The 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 quoted. For performance current to the most-recent month end, please visit www.principalstreetfunds.com.

In terms of security selection, we remain constructive on areas of the markets less likely to be affected by a recession, such as Hospitals, Charter Schools, Assisted Living Facilities, Continuing Care Retirement Communities (CCRC), Tobacco bonds, etc. It is important to point out our projects are secured, backed by some form of hard asset, general obligation or cash stream.

Technicals Remain Positive

YIELD – The most obvious technical improvement – yield – increased throughout 2022. Investors are now being well-compensated to take risk. Many income-oriented investors have remained on the sidelines foraging for alternative forms of income through structured assets, private equity, private credit, real estate, etc. As we have observed in the past, increased yields in High Yield Muni should attract more investors to the market.

OUTFLOWS – The Municipal bond market suffered relentless outflows in 2022, 49 out of 52 weeks. Outflows in 2022 set new records for number of weeks and, as we mentioned above, absolute dollar amount. This powerful technical force tends to have a disparate impact to pricing in the High Yield market, explaining the sector's underperformance versus the broader Municipal bond market. This imbalance between supply and demand drove prices lower, in many cases indiscriminately, and regardless of intrinsic or relative valuations.

There have not been consecutive years of net market outflows in Munis in the last 30 years. We have observed over our long careers that the repricing and yield adjustment to High Yield Munis usually brings investors back.

STRUCTURAL IMPROVEMENTS – A less obvious improvement to market outsiders. With demand weak, the new issuance side of the Muni market has tightened up its covenants, meaning issuers had to improve deal quality in order to borrow money. More equity, better bond structures and improved investor protections, as well as pledged collateral were necessary to get deals done.

ISSUANCE – Total issuance in the Municipal market has been muted for several years, especially recently as the bailout packages reduced the need for states and municipalities to borrow. Issuance declined by 20% in 2022 alone. There has been an even larger percentage decline in the High Yield sector of the market over the last few years. The lack of new supply should help the performance of High Yield Muni bonds as supplies continue to wane, especially if outflows reverse.

CREDIT QUALITY – Default rates remain low. Even during the pandemic, personal income, property and sales tax revenues all performed well, exceeding expectations in most cities, counties and states. All while Federal stimulus money and internet sales tax revenues added billions to municipal coffers.

State revenues surpassed the previous peak and many states once again amassed reserve balances that eclipsed the record levels set in 2019. Most Muni credits tend to be less sensitive to the general economic cycle and are well-positioned for an economic downturn, at least a moderate one. There is certainly some risk of a severe downturn that could cause issues in certain sectors of the market, but we believe those to be limited in scale and scope. We have been thinking through such scenarios as we evaluate adding credits and diversifying the portfolio seeking defensive and resilient credits and bond structures.

PERFORMANCE – GSTAX started 2023 with more income and less duration than its peers. Rates fell in the first few months causing a short lag in performance, however, as rates increased later in the year, our income advantage continued to be additive to performance.

Sincerely,

Troy Willis, Charlie Pulire, and the Principal Street Municipal Bond Strategies Team

Yield, Total Returns, Rankings, as of 6/30/23	Distribution Yield	30-Day SEC Yield Subsidized/ Unsubsidized	YTD	1-Year	5-Year	Since Inception[1]	Since Manager Inception[2]
PRINCIPAL STREET HIGH INCOME FUND							
INSTITUTIONAL CLASS (GSTAX)	6.21%	5.64% / 5.57%	4.13%	2.53%	-0.22%	1.26%	-0.12%
M'Star HY Muni Category Percentile Rank			20%	28%	100%	66%	23%
M'Star HY Muni Category Average			3.18%	1.68%	1.34%	1.56%	-2.71%
Bloomberg HY Muni IX			4.43%	2.85%	2.79%	3.30%	-1.38%
PRINCIPAL STREET SHORT TERM MUNICIPAL FUND							
INSTITUTIONAL CLASS (PSTYX)	3.35%	3.29% / 2.95%	2.10%	2.60%	n/a	2.75%	n/a
M'Star Short Muni Category Percentile Rank			3%	7%	n/a	2%	n/a
M'Star Short Muni Category Average			1.37%	1.73%	n/a	1.67%	n/a
Bloomberg 3-Year (2-4) Muni IX			0.90%	0.96%	n/a	1.69%	n/a

Ticker	Gross Expense Ratio [4]Current / Prospectus[5]	Net Expense Ratio [4]Current / Prospectus[5]
GSTAX	1.01% / 0.93%	0.95% / 0.90%
GSTEX	1.52% / 1.45%	1.45% / 1.42%
GSTFX	1.27% / 1.34%	1.20% / 1.27%

Ticker	Gross Expense Ratio [4]Current / Prospectus[5]	Net Expense Ratio [4]Current / Prospectus[5]
PSTYX	1.04% / 4.41%	0.70% / 0.70%
PSTEX	1.30% / 5.60%	0.95% / 0.95%

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[1]Fund Inception. GSTAX, 9/15/17; PSTYX , 4/27/22
[2]Since manager inception for GSTAX is 3/1/21, 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.

[3]The contractual Operating Expenses Limitation Agreements are indefinite, but cannot be terminated through at least December 29, 2023, for GSTAX, GSTEX, GSTFX, PSTYX and PSTEX. The net expense ratio is applicable to investors.

[4]Current fees as of 6/30/23 [5]Prospectus fees as of 12/29/22

Must be preceded or accompanied by a prospectus.

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.

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 Funds, which are distributed by Quasar Distributors, LLC.

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