



BOND RATINGS: AN OVERVIEW

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Bond ratings try to predict if bonds will be repaid principal and interest on the promised date for your bond. Municipal bonds are like certificates of deposits, which promise interest and principal on specified dates. Bond ratings are not recommendations to buy or sell. Some investors need to keep highly rated debt, but a speculative bond rating below BBB might be suitable for other investors. They are similar to credit card scores, except that they use letter symbols instead of numeric score.

“AAA” ratings indicate that the rater believes the risk of non-payment is miniscule and rare. Bonds rated three categories below at the “BBB” level indicate the company’s belief that you will still be paid in full, but that certain circumstances could result in default. Ratings below the “BBB” (BB, B, CCC, CC) indicate that unless something changes in the financial operation of an entity, there are increasing chances you will not get full repayment

Ratings being upgraded or lowered can affect the price of your bonds, but they are not the only factor. Increases in general interest rates can lower the price of the bonds, but will not affect the annual interest income you get.

Bond funds use ratings to help gauge whether they should redirect investments from one category to another, but generally a bond rating is not the only thing that causes reinvestment. I use them as a quick “road map” on a particular city or state, but then proceed to do my own individual analysis to determine if the bond rating is effective. Not every bond gets rated, and that is when my own individual analysis becomes paramount.

Stoever Glass & Co., the parent company of Stoever Glass Wealth Management (SGWM), has specialized in fixed-income investing and municipal bonds for over a half-century. SGWM brings its high net worth clientele the benefit of that experience, and adds significant advisory products and services, further enhancing our ability to address their complex, multigenerational financial needs.

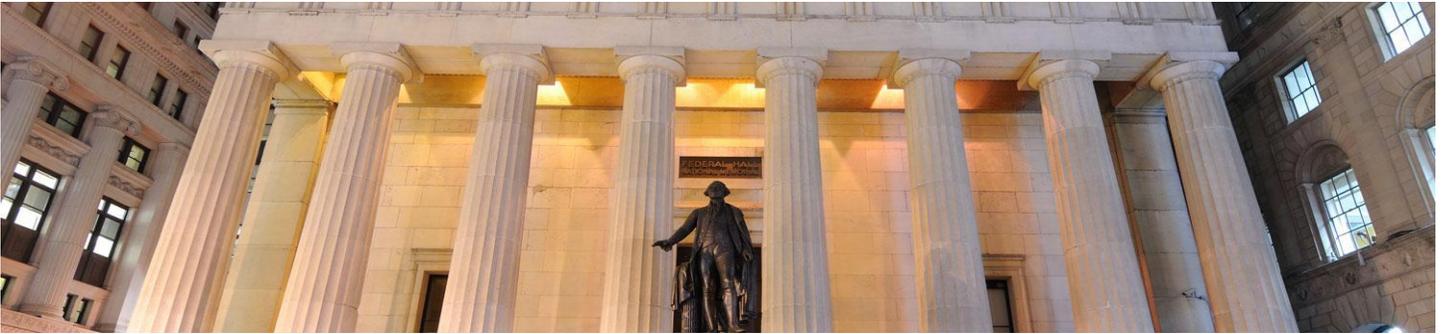
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Hernando Montero-Salazar is Director of Credit Analysis at Stoever Glass & Co. Mr. Montero-Salazar has a background as a municipal research analyst and consultant who provided fundamental credit analysis to various buy/sell side firms. He was previously associated with Samuel A. Ramirez & Co., initially as an Associate and later as Vice President of the Municipal Strategy group, where he supported the sales and trading efforts of institutional and retail desks. In addition, he was the interim head of the Municipal Strategy group and was responsible for overseeing the municipal credit needs of Ramirez & Co. for primary market, secondary market, underwriting, and regulatory/compliance purposes, and covered all sectors of the municipal market traded by the organization.

Mr. Montero-Salazar began his career at UBS Asset Management of Puerto Rico as a Portfolio Analyst, where he served as the primary analyst of nine close-end fixed-income funds with nearly \$2 billion in shareholder assets. He received his B.B.A. in Finance, Magna Cum Laude, from Universidad del Sagrado Corazón.

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