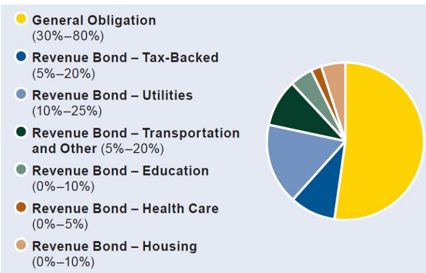
Edward Jones

Transportation Sector Outlook

MUNI - BOND SECTOR REPORT

U.S. Rec. Municipal Sector Weightings:



U.S. Recommended Bond Ladder:

Short-term (up to 5 years)
30%–40%

Intermediate-term (6–15 years)
40%–50%

Long-term (16+ years)
15%–25%

Sector Participants:

- Airports
- Toll Roads
- Seaports
- Mass Transit

For more information:

If you have any questions, please contact a local Edward Jones financial advisor, or write to: Edward Jones,12555 Manchester Road, St. Louis, MO 63131.

Outlook: Stable

Our outlook for the municipal transportation sector is Stable. We believe the sector plays an essential role in supporting the economy, and it generally benefits from economic growth that provides greater demand for transportation via airports, transit systems, roads and ports.

While the economic downturn and social-distancing measures due to COVID-19 negatively impacted the sector by reducing travel and commuting, volumes are recovering at varying degrees, depending on the mode of travel. The short-term and/or unpredictable nature of funding has also caused issuers in the sector to shoulder a greater financial burden of maintaining and improving transportation infrastructure. With increasing demands for funding at federal, state and local levels, many improvement projects have been delayed or canceled. This has led to aging infrastructure that will require more funding for capital improvements, which could increase leverage over time depending on how projects are funded. There has been political support at the federal level for more infrastructure spending, which would be positive for the sector.

We view the transportation sector as more volatile than some other municipal-bond sectors. The sector commonly plans long-term strategies with funding sources being allocated over a short-term horizon, which creates uncertainty. Furthermore, volatility could increase in the sector due to economic conditions, health risks, fuel prices, political factors, security concerns or natural disasters, among other drivers.

Sector Strengths:

- Transportation infrastructure is essential to the economy.
- Most traffic trends have experienced growth over time.
- The ongoing economic recovery should benefit the sector.

Sector Challenges:

- The recent economic downturn and COVID-19 negatively impacted the sector by reducing travel and commuting, though volumes are recovering.
- Funding from various levels of government is uncertain.
- Infrastructure has aged as improvement projects are delayed or canceled.

Analyst: Brian Therien, CFA

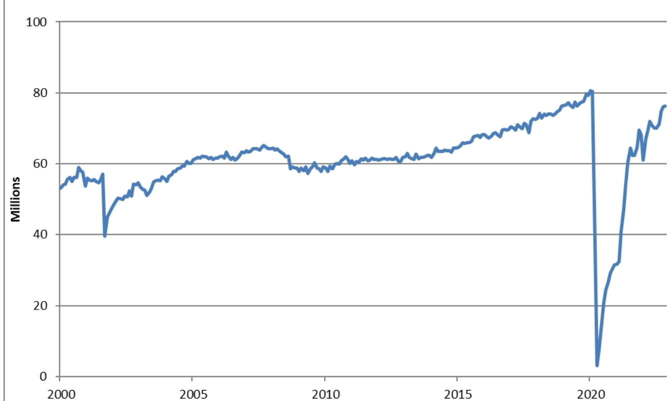
Please see important disclosures and analyst certification on page 3 of the report.

Sector Outlook Rationale

While travel volumes declined significantly due to COVID-19, most modes of transportation are showing signs of recovery. We believe the essential service provided by many issuers in the sector generally supports stable demand over time.

Airports. While air passenger traffic declined sharply, demand has recovered quickly, as shown in the chart below. We expect the economic recovery to continue to drive higher demand for air travel. These factors should improve financial measures, especially for those airports that have the flexibility to defer capital improvements. We generally expect larger airports with international operations serving major urban centers to outperform smaller airports.

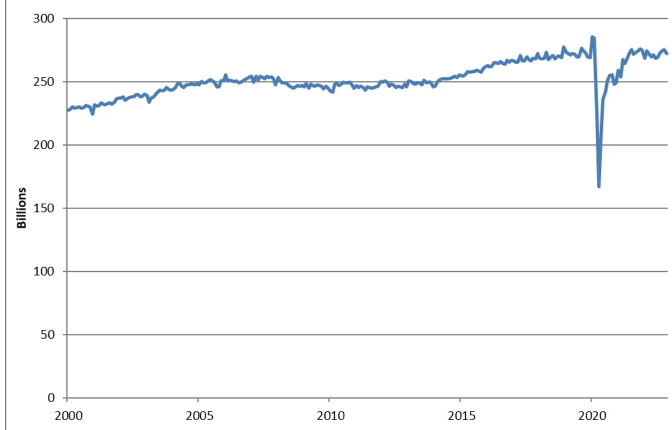
Air Passenger Enplanements



Source: U.S. Department of Transportation. Seasonally-adjusted enplanements for U.S. air carrier domestic and international, scheduled passenger flights.

Roads. While road traffic had experienced modest growth in recent years, volumes dropped significantly due to COVID-19. Most of the decline has reversed, as shown in the chart below. We expect established toll systems with significant commuter traffic and limited competition from non-tolled roads to benefit from more consistent demand relative to newer systems with less commuter traffic or unproven demand.

Vehicle Miles Traveled



Source: U.S. Department of Transportation. Seasonally adjusted.

Mass Transit. Mass transit systems have faced declining ridership in recent years as travelers have favored alternative modes of transportation and due to a lack of capital improvements that have led to aging infrastructure. COVID-19 significantly accelerated this trend, as shown in the chart below. While volumes have started to recover, it may take several years to return to pre-pandemic levels. Due to these trends, we believe systems with more diverse funding sources and proven demand are better positioned to maintain their credit quality over time.

Public Transit Ridership

Source: U.S. Department of Transportation. Seasonally-adjusted unlinked trips.

Transportation issuers have been required to shoulder a larger portion of the financial burden of infrastructure improvements in recent years given the short-term and unpredictable nature of government support. There has been political support at the federal level for increased infrastructure spending, which would be credit supportive. However, we expect sources of transportation funding to continually evolve, which creates uncertainty.

Outlook Definitions

Positive - The factors impacting the credit quality of a given sector are likely to be or are supportive of an improved credit environment in the near term.
Stable - The factors impacting the credit quality of a given sector are likely to be neutral to the credit environment in the near term.
Negative - The factors impacting the credit quality of a given sector are likely to or have produced a weak or uncertain credit environment in the near term.

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.
Brian Therien, CFA

Required Research Disclosures

Other Disclosures

Past performance is no guarantee of future results.

If you sell this security prior to maturity, you may receive more, less, or the same dollar amount you originally invested because the security's market value may fluctuate over time due to various market factors (e.g., interest rates).

Before investing in bonds, you should understand the risks involved, including interest rate risk, credit risk and market risk. Bond investments are subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity. The value of bonds fluctuates, and you may lose some or all of your principal. Municipal bonds, while free from federal income tax, may be subject to state and local taxes and the alternative minimum tax (AMT).

You must evaluate whether a bond ladder and the securities held within it are consistent with your investment objectives, risk tolerance and financial circumstances. Including callable bonds may increase the interest rate risk of a bond ladder. Bonds may be called prior to maturity, which could result in lower yields with new investments.

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