

Municipal Market Weekly Update

MACKAY MUNICIPAL MANAGERS.™ THE MINDS BEHIND MUNIS.



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Credit Cracks Don't Have Munis Worried

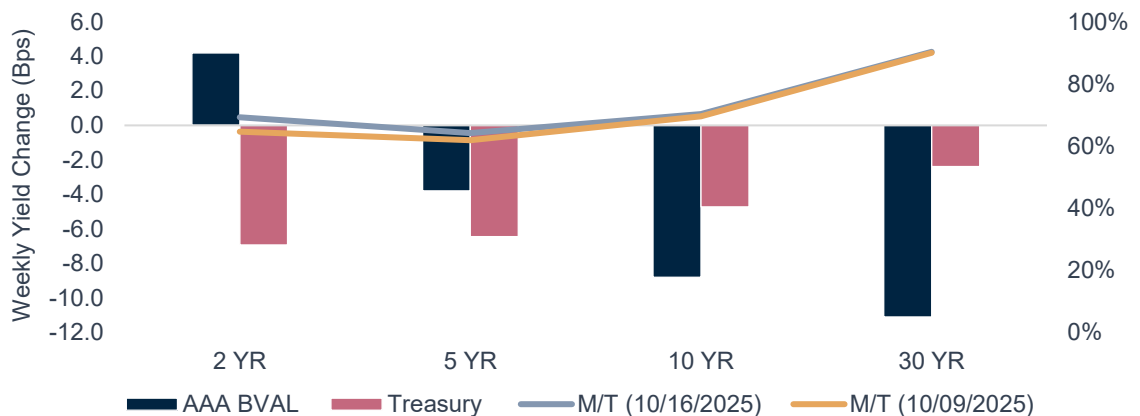
- Munis lean into long end bias
- Flushing toilets remains a priority
- Munis serve as recession buffers

Relative Performance

For the prior week, municipals, on the whole, appeared to be the better performer versus Treasuries. However, that broader take on relative performance needs additional context in zooming in at individual tenors on the yield curve. For the very front end of the curve, there appeared to be a divergence in weekly trends with AAA tax-exempt rates increasing by 4.2bps, compared to 2YR US Treasury rates which marked an almost 7bps decline over the same time period. Shorter dated US Treasuries have benefitted from growing concerns in the US regional banking sector. Increased spreads in repo rates have also dovetailed with the narrative that there is less liquidity available in the marketplace and as such, governmental bonds are seeing a haven bid.

The performance advantage of municipals was more acutely noted 10 years and out on the curve, where the yield declines had outpaced like tenor US Treasuries by as much as 9bps at the 30-year maturity. Looking at broader rates direction, the path for the Federal Reserve, at least for now, is additional easing, with 3 interest rate cuts projected (per Bloomberg WIRP) through the 1st quarter of 2026.

FIGURE 1: MUNIS OUTPERFORM WITH DURATION¹



1. Data as of October 19, 2025. Source: Bloomberg. Spot Muni, Spot AA rates.

Past performance is no guarantee of future results, which will vary. It is not possible to invest directly in an index.

Market Technicals

With increasing attention on the broader economy and frothy markets like private credit, it's worth framing this weekly update around how we view the municipal asset class in portfolio construction. The key question: the state of the U.S. consumer and whether we're in a recession. While no official declaration has been made and data remains mixed, the Fed's recent activity suggests concerns on the horizon.

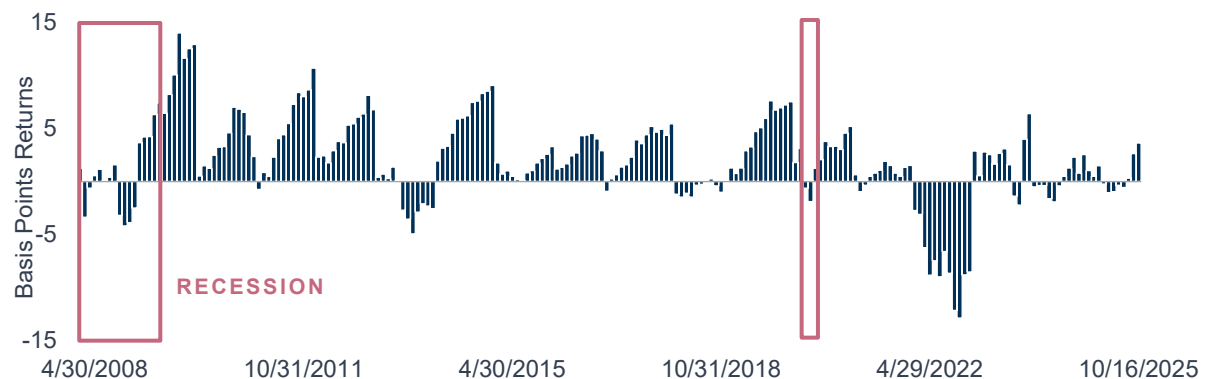
If the economy slows meaningfully, corporate margins could contract further, widening credit spreads. We believe this strengthens the case for tax-exempt municipals, historically a safer harbor given low default rates and minimal correlation to riskier assets. In fact, coming out of the past two identifiable recessionary periods municipals recovered quickly and periods of negative returns were followed by prolonged periods of positive total returns. This speaks to the asset class's ability to rebound quickly and adapt to economic pressures. (see Figure 2).

Drilling down, in a recession, certain muni subsectors—such as water and sewer utilities and even community colleges—may see less volatility. During the 2007–08 crisis, community colleges experienced higher demand as job losses drove mid-career retraining. Essential utilities have also shown resilience, with residents prioritizing these bills even in tough times. Within the Bloomberg Municipal Bond Index (LMBITR), water and sewer bonds represent nearly 10% of the index (5,600 members), compared to ~900 for community colleges.

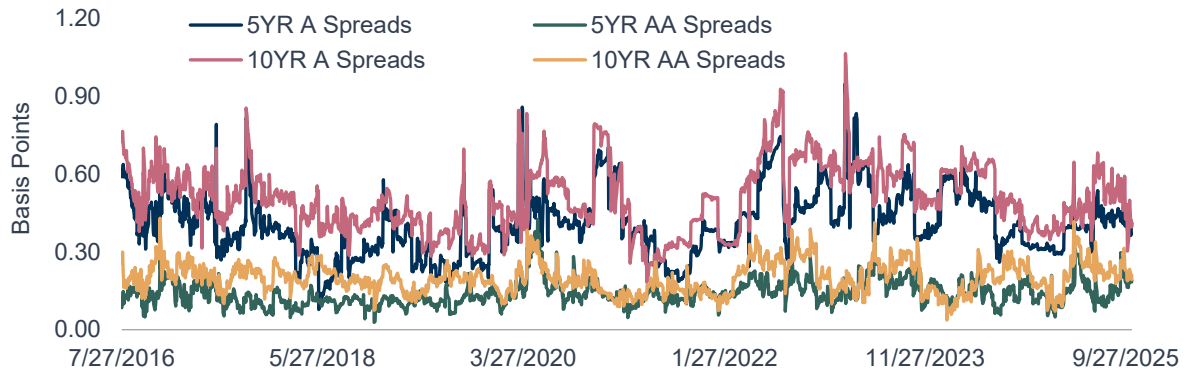
Having identified areas that offset riskier segments of a fixed income portfolio, the next logical step is positioning along the yield curve. As noted in prior weeklies, we maintain a clear bias toward the long end of the municipal curve. As relative value managers, our focus remains on where the curve offers the best value and cheapest valuations. However, longer duration doesn't suit every client, so today we highlight how intermediate maturities have shifted in value.

Figure 3 compares A and AA water/sewer spreads at the 5- and 10-year points of the exempt curve. Currently, the 5-year portion offers slightly more incremental spread than the 10-year. A-rated water/sewer spreads have tightened since June from a peak of 65 bps, likely driven by falling rates and greater certainty around tax exemption. For comparative context, 30-year A-rated water/sewer debt now carries 58 bps of spread, widening steadily since late July as the curve steepened.

FIGURE 2: MUNIS RECOVER QUICKLY FROM RECESSIONS²



2. Data as of October 16, 2025. Source: Bloomberg.

FIGURE 3: WATER AND SEWER SPREADS³

3. Data as of October 17, 2025. Source: Bloomberg.

Questions from the Field

Q. I have clients who are just fine sitting in Money Market funds. What is the impetus for them to move at the current time?

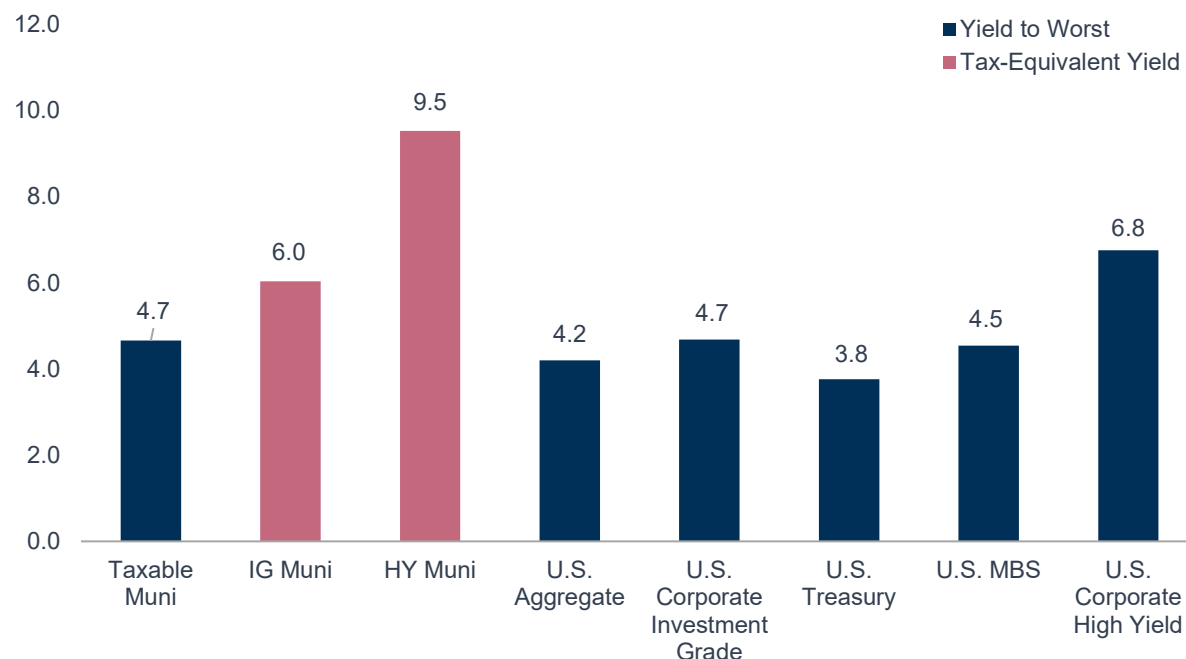
This is a topic that comes up on a weekly basis and believe us when we say that the warm cozy nest of money markets the past few years is a very tough place to leave. However, the writing is clearly on the wall that Fed fund rates are on a downward trajectory and that means incrementally lower rates for both money market funds, as well as T-bill rates. If your clients are in either of these types of vehicles, they are subject to reinvestment risk going forward. For those that would argue that the Fed comments on Friday paint a mixed bag of outlook for the economy, we would counter with the fact that the current Trump administration is laser focused on lower UST rates and rolling bills over at lower levels. This, coupled with the high turnover at the Fed Governor and even Chair level, paints a path of a more dovish Fed going forward, giving all the more reason to be proactive in exiting resetting investment vehicles. With Fed cuts reducing cash-equivalent yields and munis finally offering a normalized curve, now is the time to consider redeploying cash into municipal bonds. Even during the last three years of 5.5% T-Bill rates and inverted curves, muni funds have delivered superior after-tax returns—today, the case is even stronger.

Fund Investment	3- Year Annualized Total Return
NYLI MacKay High Yield Muni Bond Fund (MMHIX) at NAV ⁴	6.93%
NYLI MacKay Strategic Muni allocation Fund (MTFGX) at NAV ⁴	5.22%
NYLI MacKay Tax Free Bond Fund (MTBIX) at NAV ⁴	5.02%
NYLI MacKay Muni Intermediate ETF (MMIT) at NAV ⁴	4.79%
NYLI MacKay Short Term Muni Fund (MSTIX) at NAV ⁴	4.08%
U.S. Treasury Bills Index (after 35.8% tax)	3.14%
U.S. Treasury Bills Index (after 40.8% tax)	2.89%
U.S. Treasury Bills Index (pre-tax)	4.89%

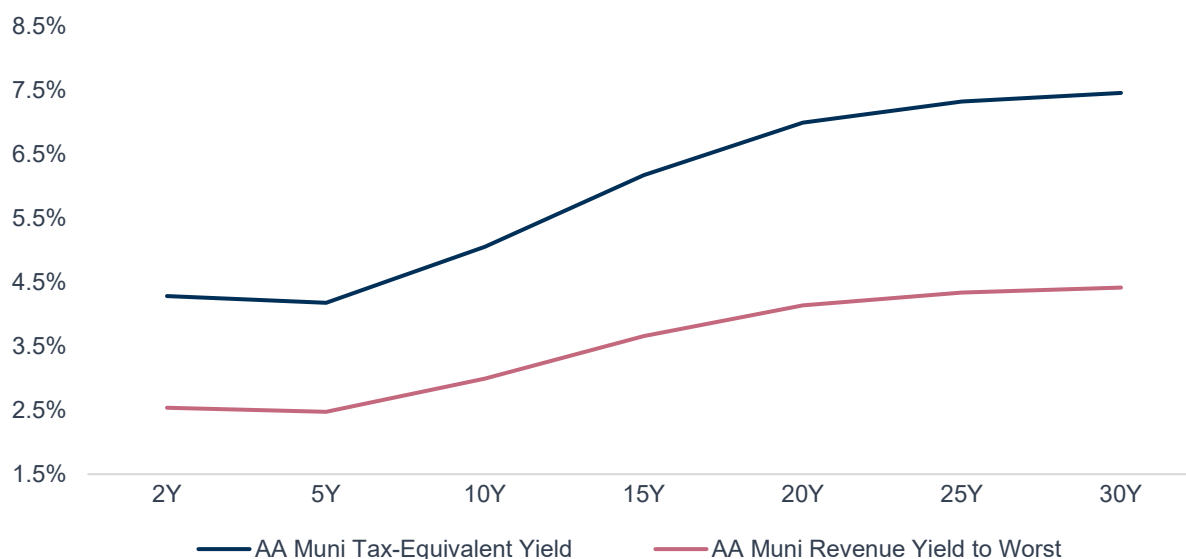
4. MorningStar Class I Funds, no sales charge. Returns as of October 16, 2025. Source: Morningstar.

To access the most up-to-date information about a specific fund, simply click on the fund's name. This will take you to a detailed page that includes the prospectus, the fund's investment objectives, its performance history, key risk factors, Morningstar ratings, and other essential details. Returns represent past performance, which is no guarantee of future results. Current performance may be lower or higher. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

INDEX YIELDS (in %)⁵



AA MUNI TAX-EQUIVALENT YIELD CURVE⁶



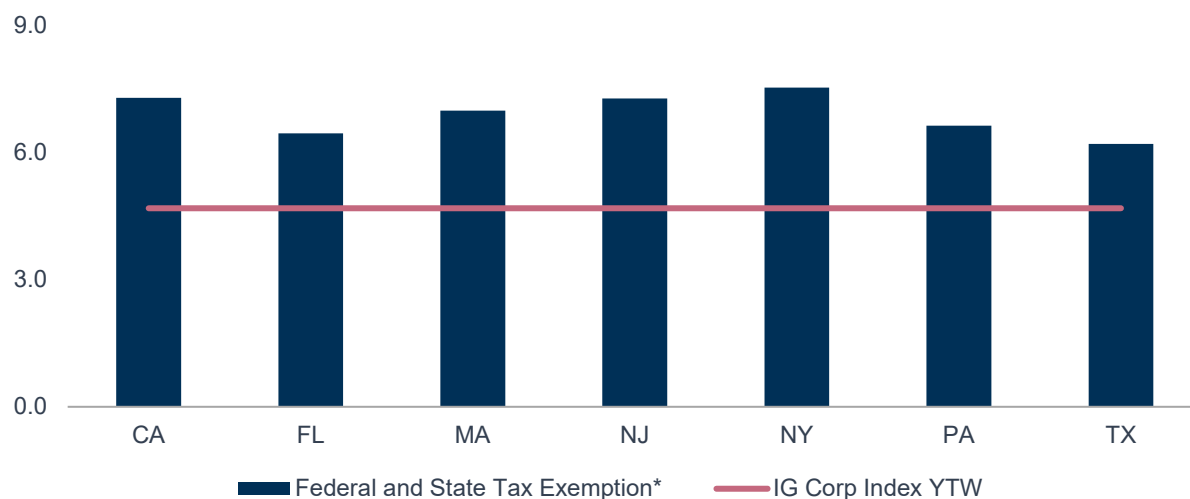
Data as of 10/16/2025.

5. Source: Bloomberg. Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax. Taxable Muni: Bloomberg Taxable Municipal Bond Index; IG Muni: Bloomberg Taxable Municipal Bond Index; HY Muni: Bloomberg High Yield Municipal Bond Index; U.S. Aggregate: Bloomberg U.S. Aggregate Bond Index; U.S. Corporate Investment Grade: Bloomberg U.S. Corporate Investment Grade Index; U.S. Treasury: Bloomberg U.S. Treasury Index; U.S. MBS: Bloomberg U.S. Mortgage-Backed Securities Index; U.S. Corporate High Yield: Bloomberg U.S. Corporate High Yield Index.

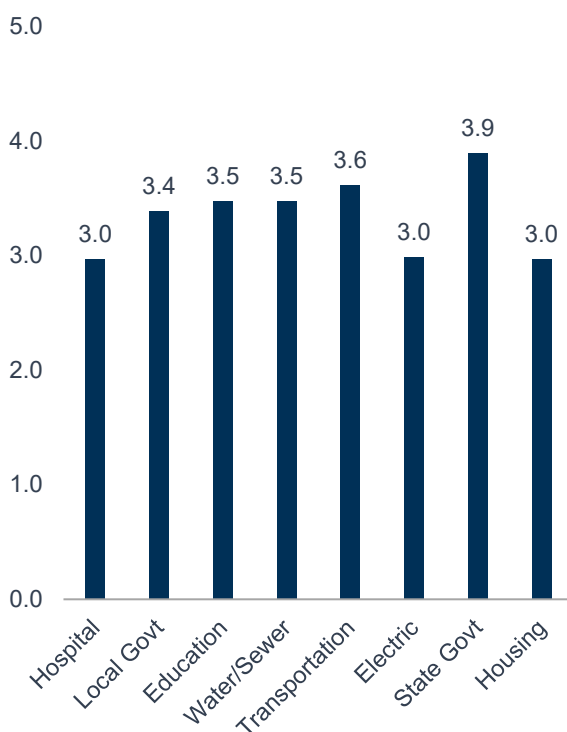
6. Source: Bloomberg. Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.

Past performance is no guarantee of future results, which will vary. It is not possible to invest directly in an index.

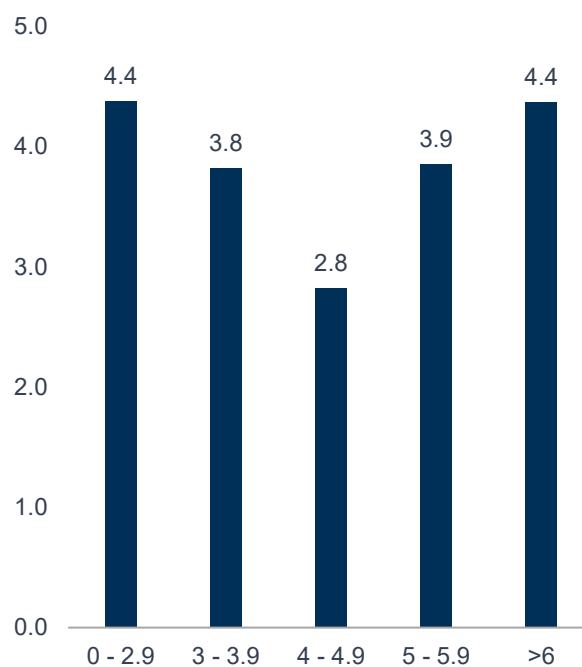
IN-STATE MUNI TAX-EQUIVALENT YTW (in %)⁷



YTD TOTAL RETURNS BY SECTOR (in %)⁸



YTD TOTAL RETURNS BY COUPON (in %)⁹



Data as of 10/16/2025.

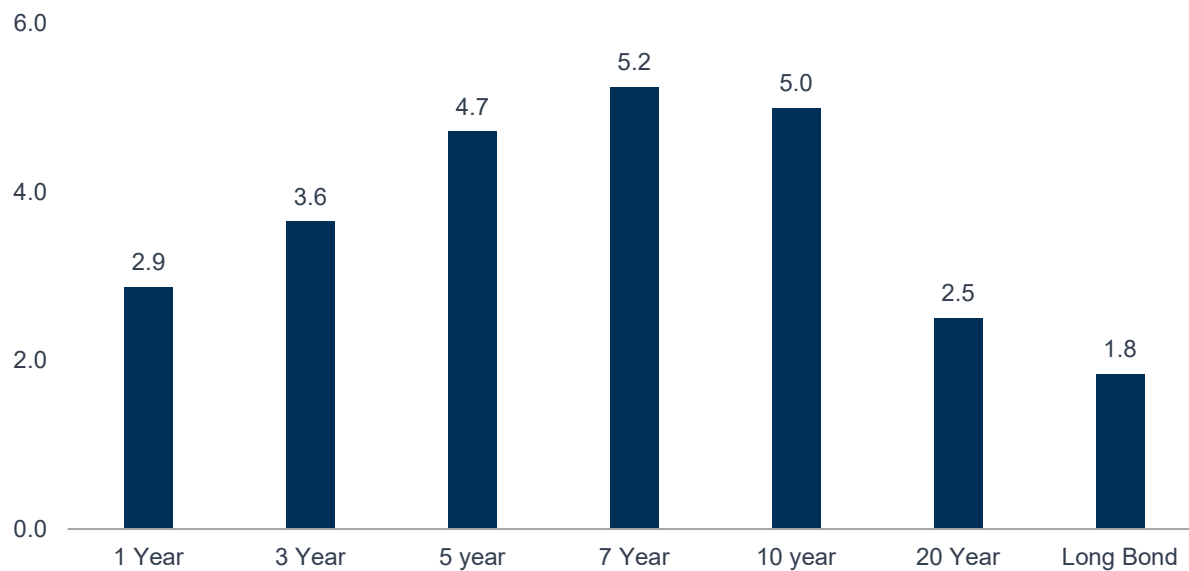
7. Source: Bloomberg. *Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax. Using respective maximum state income tax rate.

8. Source: Bloomberg.

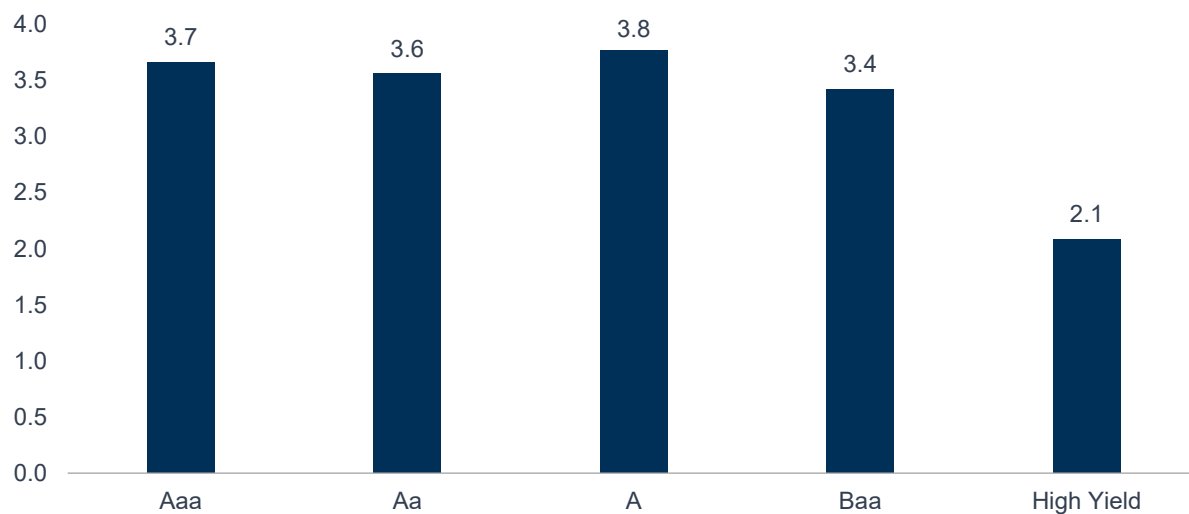
9. Source: Bloomberg.

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YTD TOTAL RETURNS BY MATURITY (in %)¹⁰



YTD TOTAL RETURNS BY RATING CATEGORY (in %)¹¹



Data as of 10/16/2025.

10. Source: Bloomberg.

11. Source: Bloomberg.

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BLOOMBERG MUNICIPAL YIELD-TO-WORST¹² (YTW)



MUNI YIELDS

Tenor	10/09/2025	10/16/2025	Change (+/-)
Bloomberg AAA Muni Key Rate Yields¹³			
2-year	2.32%	2.37%	+0.04%
5-year	2.31%	2.28%	-0.04%
10-year	2.88%	2.79%	-0.09%
30-year	4.25%	4.14%	-0.11%
U.S. Treasury Key Rate Yields¹³			
2-year	3.60%	3.41%	-0.19%
5-year	3.74%	3.55%	-0.19%
10-year	4.14%	3.99%	-0.15%
30-year	4.72%	4.58%	-0.14%
U.S. Treasury & AAA Muni Curve Slopes¹⁴			
	2s10s	10s30s	2s30s
U.S. Treasury Curve Slope	+58 bps	+59 bps	+117 bps
AAA Muni Curve Slope	+43 bps	+135 bps	+178 bps

Data as of 10/16/2025.

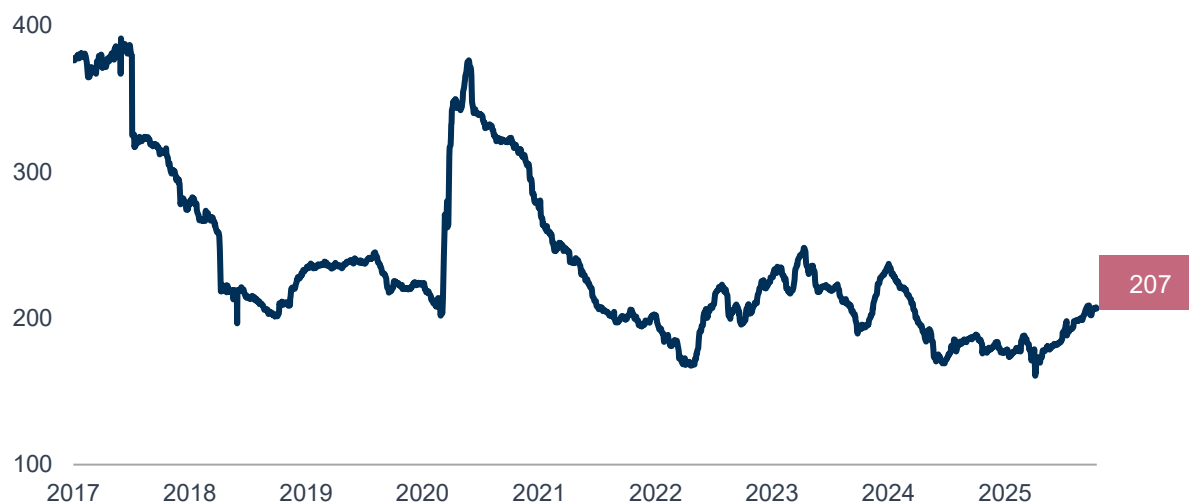
12. Source: Bloomberg. "Post GIFC Average" measures the period from 01/01/2010–10/16/2025.

13. Source: Bloomberg.

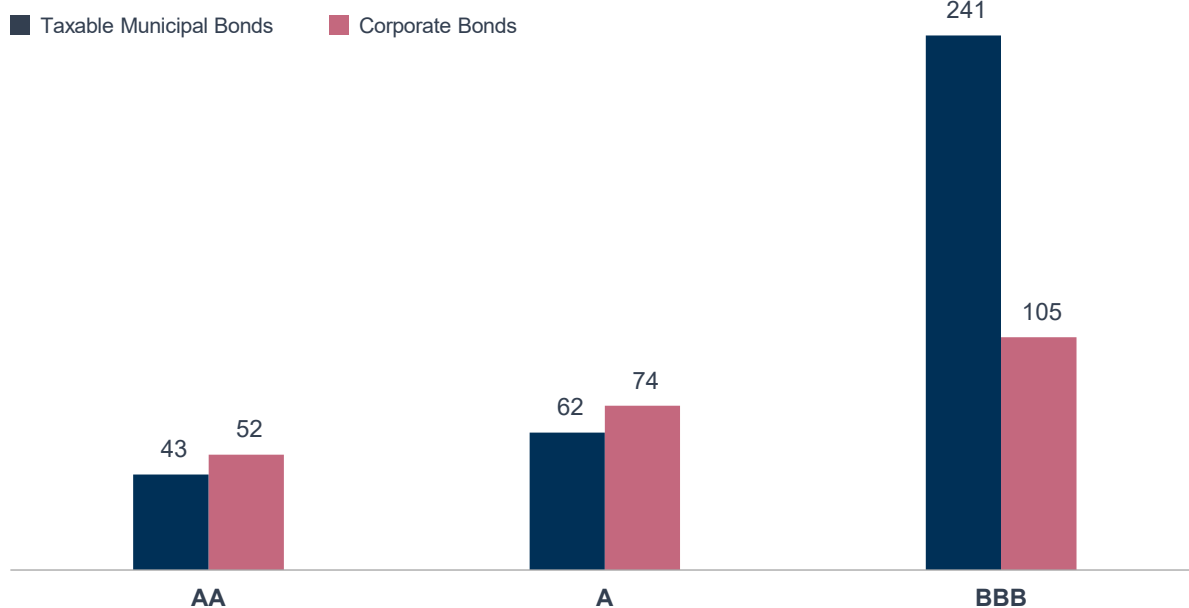
14. Source: Bloomberg. 2s10s—is spread between 10yr and 2yr yield; 10s30s—refers to spread between 30yr and 10yr yield; 2s30s—refers to spread between 30yr and 2yr yield.

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BLOOMBERG MUNICIPAL HIGH YIELD | AAA YIELD DIFFERENTIAL¹⁵



TAXABLE MUNICIPAL AND CORPORATE CREDIT SPREADS¹⁶

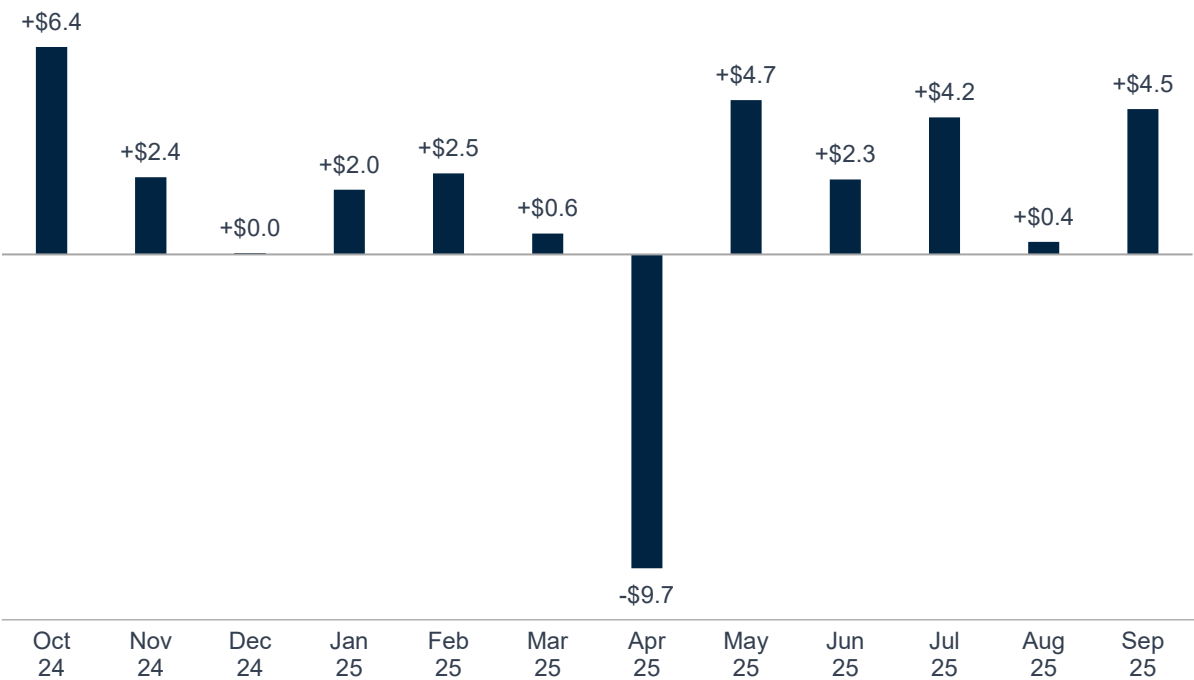


15. Data as of 10/16/2025. Source: Bloomberg.

16. Data as of 10/16/2025. Source: Bloomberg. The spread, better known as the option-adjusted spread (OAS) is the measurement of the yield of a fixed income security over that of a risk-free rate of return, which is adjusted to take into account an embedded option.

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LONG TERM FUND FLOWS¹⁷ (USD BILLION)



Data as of 10/16/2025.

17. Source: Bloomberg.

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DISCLOSURES

About Risk - NYLI MacKay High Yield Muni Bond Fund - Before considering an investment in the Fund, you should understand that you could lose money.

A portion of the Fund's income may be subject to state and local taxes or the alternative minimum tax. Investing in below investment grade securities may carry a greater risk of nonpayment of interest or principal than higher-rated bonds. The Fund may invest in derivatives, which may increase the volatility of the Fund's NAV. Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner. Municipal bond risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities. Investing in below investment grade securities may carry a greater risk of nonpayment of interest or principal than higher-rated securities.

About Risk - NYLI MacKay Strategic Muni Allocation Fund - Before considering an investment in the Fund, you should understand that you could lose money.

Municipal bond risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities. A portion of the Fund's income may be subject to state and local taxes or the alternative minimum tax. Income from municipal bonds held by the Fund could be declared taxable because of unfavorable changes in tax law, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. High-yield municipal bonds may be subject to increased liquidity risk as compared to other high-yield debt securities. The Fund may invest in derivatives, which may increase the volatility of the Fund's NAV. Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner.

About Risk - NYLI MacKay Tax Free Bond Fund - Before considering an investment in the Fund, you should understand that you could lose money.

A portion of the Fund's income may be subject to state and local taxes or the alternative minimum tax. The Fund may invest in derivatives, which may increase the volatility of the Fund's NAV and may result in a loss to the Fund. Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner. Municipal bond risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities.

About Risk - NYLI MacKay Muni Intermediate ETF - Before considering an investment in the Fund, you should understand that you could lose money.

Municipal bond risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities. Investing in below investment grade securities may carry a greater risk of nonpayment of interest or principal than higher-rated securities. Liquidity risk is the risk that certain securities may be difficult or impossible to sell at the time that the seller would like or at the price that the seller believes the security is currently worth. Income Risk The Fund's income may decline when interest rates fall or if there are defaults in its portfolio.

This decline can occur because the Fund may subsequently invest in lower-yielding securities when securities in its portfolio mature or the Fund otherwise needs to purchase additional securities. Change to the "Principal Investment Strategies" Effective December 11, 2020, the Fund's principal investment strategy has been amended such that it will no longer purchase Municipal Bonds whose interest is subject to the federal alternative minimum tax. To the extent that the Fund already holds Municipal Bonds whose interest is subject to the federal alternative minimum tax, the Subadvisor may elect not to immediately sell such securities and the Fund may continue to hold the securities until their maturity or sale at a later date. Investors should refer to the prospectus for additional information regarding this change.

About Risk - NYLI MacKay Short Term Muni Fund - Before considering an investment in the Fund, you should understand that you could lose money.

The Fund is not a money market fund and does not attempt to maintain a stable NAV. The Fund's net asset value per share will fluctuate. There can be no guarantee that the Fund will achieve or maintain any particular level of yield. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. These risks may be greater for emerging markets. The principal risk of mortgage dollar rolls is that the security the Fund receives at the end of the transaction may be worth less than the security the Fund sold to the same counterparty at the beginning of the transaction. The principal risk of mortgage-related and asset-backed securities is that the underlying debt may be prepaid ahead of schedule, if interest rates fall, thereby reducing the value of the fund's investment. If interest rates rise, less of the debt may be prepaid. Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner. Municipal bond risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities. Treasury Securities are backed by the full faith and credit of the United States government as to payment of principal and interest if held to maturity. Interest income on these securities is exempt from state and local taxes.

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DEFINITION OF TERMS

Option-Adjusted Spread (OAS) measures the spread between a bond's rate and the risk-free rate, while adjusting for any embedded options like callables or mortgage-backed securities.

Standard Deviation is a statistical measurement that looks at how far discrete points in a dataset are dispersed from the mean of that set. It is calculated as the square root of the variance.

Tax Equivalent Yield is the return a taxable bond needs to equal the yield on a comparable tax-exempt municipal bond. Investors use this calculation to compare the returns between a tax-free investment and a taxable alternative.

Tax Equivalent Yield to Worst is calculated by dividing the tax-exempt yield by one minus the marginal income tax. This is used to compare YTW on a tax-exempt investment to a taxable investment.

Volatility is a measurement of how varied the returns of a given security or market index are over time. It is often measured from either the standard deviation or variance between those returns. In most cases, the higher the volatility, the riskier the security.

Yield to Worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures. YTW helps investors manage risks and ensure that specific income requirements will still be met even in the worst scenarios.

INDEX DESCRIPTIONS

Bloomberg U.S. Taxable Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term taxable bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies if all three rate the bond: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate and must be at least one year from their maturity date. Remarketed issues (unless converted to fixed rate), bonds with floating rates, and derivatives, are excluded from the benchmark.

Bloomberg Municipal AMT index refers to a specific Bloomberg municipal bond index that includes bonds subject to the Alternative Minimum Tax (AMT). Unlike most municipal bond indices, which exclude AMT-subject securities, these indices contain bonds that typically offer higher yields to individuals who are subject to the AMT.

Muni IG ex. AMT and ex Territories Index is the Bloomberg Municipal Bond Index excluding AMT and U.S. Territory exposure.

Bloomberg U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury, including securities that roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

INDEX DESCRIPTIONS (continued)

Bloomberg Municipal Bond Index A rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and pre-refunded bonds. Most of the index has historical data to January 1980. In addition, sub-indices have been created based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980.

Bloomberg 5-Year Muni Index is a capitalization weighted bond index created by Bloomberg intended to be representative of major municipal bonds of all quality ratings with an average maturity of approximately five years.

Bloomberg Municipal 1-10 Year Blend 1-12 Year Index measures the performance of short and intermediate components of the Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment grade, tax-exempt bond market.

Bloomberg Municipal Long Bond 22+ Index (often referred to as the Bloomberg Long-Term Municipal Bond Index) tracks the performance of long-term, tax-exempt U.S. municipal bonds with maturities of 22 years or longer. This index serves as a benchmark for high-quality municipal debt and covers various sectors, including general obligation, revenue, insured, and pre-refunded bonds.

Bloomberg High Yield Municipal Bond Index is a flagship measure of the U.S. municipal tax-exempt non-investment grade bond market. Included in the index are securities from all 50 U.S. States and four other qualifying regions (Washington DC, Puerto Rico, Guam, and the Virgin Islands). The index includes state and local general obligation bonds and revenue bonds. All bonds in the Municipal High Yield Bond Index are tax exempt and hence are not eligible for other indices that include taxable high yield bonds, such as the U.S. High Yield Index and EM USD Aggregate Index.

Bloomberg U.S. Aggregate Bond Index measures the performance of investment grade, U.S. dollar-denominated, fixed rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. It rolls up into other flagship indices, such as the multi-currency Global

Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-US industrial, utility, and financial issuers. The index is a component of the U.S. Credit and U.S. Aggregate Indices, and provided the necessary inclusion rules are met, U.S. Corporate Index securities also contribute to the multi-currency Global Aggregate Index. The index includes securities with remaining maturity of at least one year.

Bloomberg U.S. Mortgage-Backed Securities Index is formed by grouping the universe of individual TBA-deliverable MBS pools into pool cohorts and then applying the index inclusion rules at the cohort level. Each cohort is a representation of its mapped individual pools and contributes their total amount outstanding to the U.S. MBS Index.

Bloomberg U.S. Corporate High Yield Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg Global Aggregate Bond Index The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-seven local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Securitized Bond Index The Bloomberg U.S. Securitized: MBS, ABS, and CMBS Index tracks all USD-denominated, investment grade, securitized issues within the "Parent Index". MBS must have a weighted average maturity of at least one year. CMBS and ABS must have a remaining average life of at least one year.

Bloomberg U.S. Municipal Bond Index Total Return Index Value Unhedged The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds

Bloomberg U.S. Aggregate Total Return Value Unhedged The Bloomberg U.S. Aggregate Total Return Value Unhedged Index (LBUSTRUU:IND) is a benchmark that measures the performance of the U.S. investment-grade, fixed-rate, taxable bond market, excluding any currency hedging. It tracks a broad universe of U.S. dollar-denominated securities, including U.S. Treasuries, government-related debt, corporate bonds, mortgage-backed securities (MBS), and asset-backed securities (ABS).

Bloomberg U.S. Treasury Total Return Unhedged The Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.



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