MacKay Municipal Managers™

MMM Weekly Monitor

AUGUST 19, 2025

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Muni Market Still Firmly a Retail Focus

- Muni performance is mixed along the curve
- $20 trillion of cash/cash equivalents may need a home
- Muni market offer lists speaks to retail dominance

Relative Performance

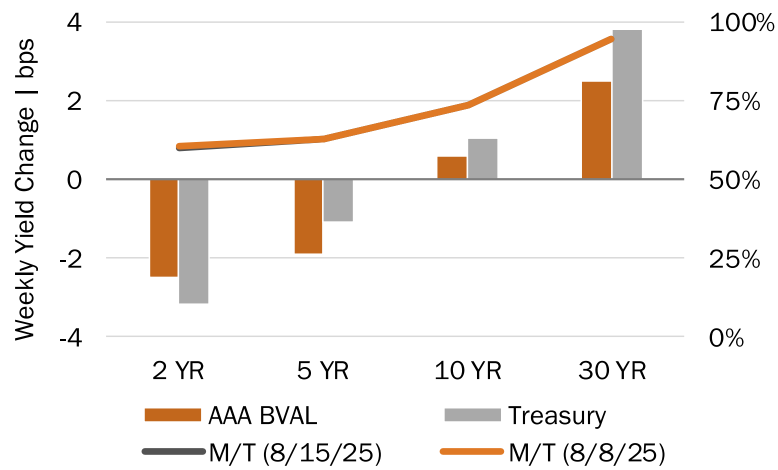
Over the past week, municipal bonds showed mixed performance relative to U.S. Treasuries. While both markets experienced yield declines in the short end, municipals underperformed Treasuries in the 2-year portion of the curve, with AAA muni yields falling by 2.5 bps compared to a 3.17 bps drop in Treasury yields. This smaller decline in muni yields contributed to a slight widening in the 2-year municipal-to-Treasury (M/T) ratio to 60.41.

Further out the curve, municipals held up better:

- 5-year AAA muni yields declined by 1.9 bps, while Treasuries dropped 1.07 bps, leading to a 0.24% tightening in the M/T ratio.
- 10-year yields rose modestly in both markets, with munis up 0.6 bps and Treasuries up 1.07 bps, resulting in a 0.12% decline in the M/T ratio.
- 30-year yields increased more sharply in Treasuries (+3.84 bps) than in munis (+2.5 bps), tightening the M/T ratio by 0.46%, from 95.07% to 94.62%.

This week's movements suggest that while longer-dated munis remain supported by investor demand and stable credit fundamentals, the front-end underperformance we attributed to a slight lag in following US Treasury moves directionally. We believe there is still much noise in the market pertaining to the exact timing and amount of any Federal Reserve action and messaging from the administration could add to some near-term confusion on behalf of investors. What remains a certainty is that there are close to $20 trillion in cash/cash equivalents in investor accounts (Bank of America). When, not IF, the Fed begins easing, these assets will quickly look to find a more stable yield base to move to.

MUNIS OUTPERFORM ACROSS THE CURVE



Data as of August 15, 2025.
Spot Muni, Spot AA rates

Market Technicals

The municipal bond market is undergoing one of its most transformative periods in recent memory. While change in munis often feels glacial—like Sisyphus pushing a boulder uphill—the landscape in 2025 reflects a clear shift in investor behavior, product structure, and liquidity dynamics.

The most notable evolution is the gradual departure of traditional "mom and pop" investors from direct bond ownership. This trend, accelerated by the 2017 Tax Cuts and Jobs Act, has reshaped the tax-exempt market. As corporate tax rates declined, the appeal of municipals for banks and insurance companies waned, leading to a contraction in their holdings. Meanwhile, individual investors have increasingly turned to inefficient passive vehicles to a lesser extent, i.e. active mutual funds.

Despite these shifts, the muni market remains fundamentally "retail-driven". This retail dominance presents a unique opportunity for active managers to capitalize on inefficiencies and fragmented liquidity. With over 1 million CUSIPs and 50,000 issuers, the muni market is anything but uniform, making it fertile ground for skilled credit analysis and tactical positioning.

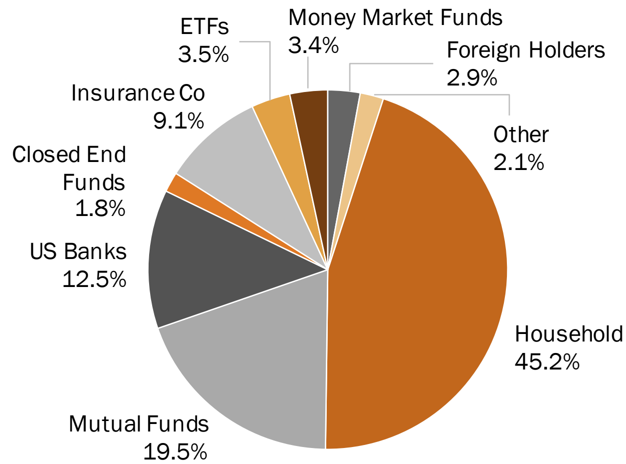
One of the most telling indicators of this retail flow is the Bloomberg Municipal Bid Wanted Items function in Bloomberg[1], which tracks bid-wanted activity (see graph below). The top panel of the index shows a steady rise in the number of bonds out for bid daily since 2020. However, the more revealing insight lies in the bottom panel: the ratio of par value to bid-wanted items has been declining. We believe this suggests that the secondary market is increasingly dominated by smaller, retail-sized odd lots—likely being sold from passive strategies.

Active managers may be well positioned to leverage technology and their institutional relationships to seek to extract value through efficient execution. This approach allows them to potentially purchase at discounted prices and later exit at richer levels, effectively creating value through execution and scale.

Moreover, as insured bonds shrink and credit risk re-emerges, the need for in-depth credit analysis becomes even more critical. Further, active managers can dynamically manage duration, credit exposure, and liquidity—adjusting portfolios in real time to reflect market conditions and investor flows.

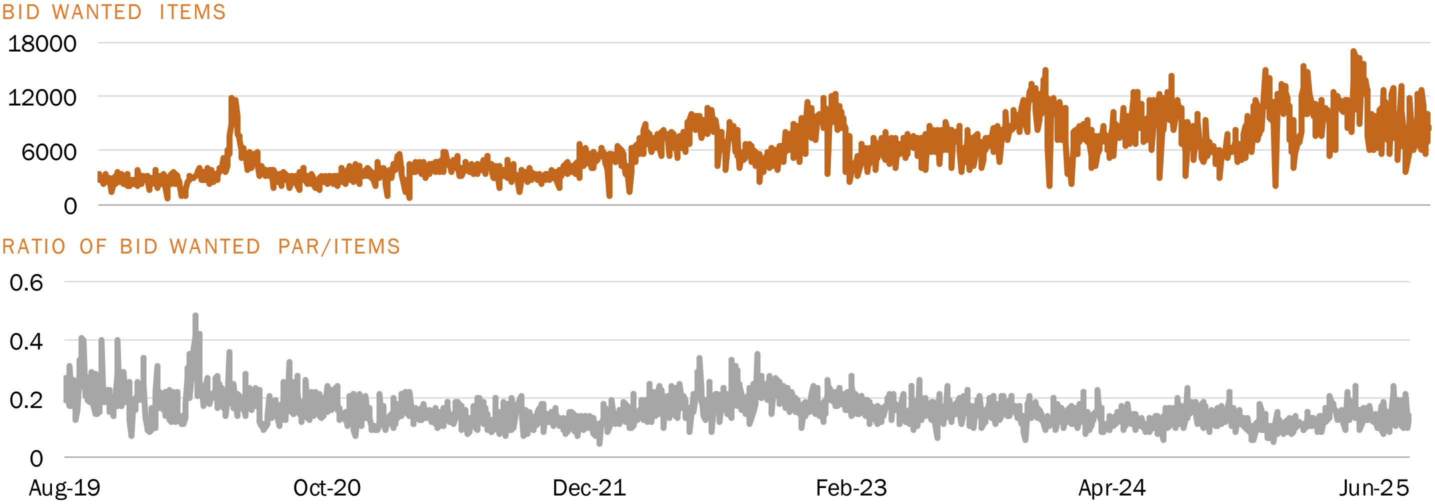
In summary, while passive strategies continue to gain traction, we believe the structural inefficiencies and retail-driven nature of the muni market ensures that active management remains not only relevant but essential. The ability to identify value, manage risk, and execute with precision gives active managers a distinct edge in today's evolving Muniland.

INDIVIDUAL HOLDINGS ARE STILL DOMINANT AT 45%



Data as of March 31, 2025.
Source: Bloomberg

RETAIL STILL IN CONTROL



Data as of August 11, 2025.
1.The municipal bid wanted items function in Bloomberg represents the cumulative universe of municipal bonds seeking bids on a daily basis.
Source: Bloomberg

Questions from the Field

Q Some Investors have exposure to the muni market through national funds and national ETFs. What's the advantage of state-specific muni products?

A In-state funds/ETFs offer double tax exemption, which may enhance after-tax income depending on state tax bracket and investor circumstances. In some high-tax states, the tax drag on national product yields can be meaningful. We look at an example for Utah, which has an in-state tax of 4.55% for top earners:

FUND	DISTRIBUTION YIELD	TAX TREATMENT IN UTAH	AFTER-TAX YIELD FOR UTAH RESIDENT
NYLI MACKAY UTAH MUNI FUND CLASS I	3.95%	Federal & Utah tax-exempt	3.95% (fully exempt)
iSHARES NATIONAL MUNI BOND ETF	3.21%	Utah taxable	3.21% × (1 – 0.0455) = 3.06%
VANGUARD TAX-EXEMPT BOND INDEX FUND ETF	3.38%	Utah taxable	3.38% × (1 – 0.0455) = 3.22%

Source: MorningStar as of July 31, 2025.

To access the most up-to-date information about a specific fund, simply click on UTAYX, MUB, and VTEB. **Click on the Fund Name, which includes the prospectus, investment objectives, performance, risk, and other essential information. 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. Visit www.newyorklifeinvestments.com for the most recent month-end performance of NYLI MacKay Utah Muni Fund.**

Distribution yield is calculated by annualizing the most recent distribution per share (with such annualizing based on dividi ng the number of calendar days during the year by the number of calendar days over which the most recent distribution accumulated) and dividing it by the NAV as of [date]. The Fund currently intends to pay monthly distributions from net investment income.

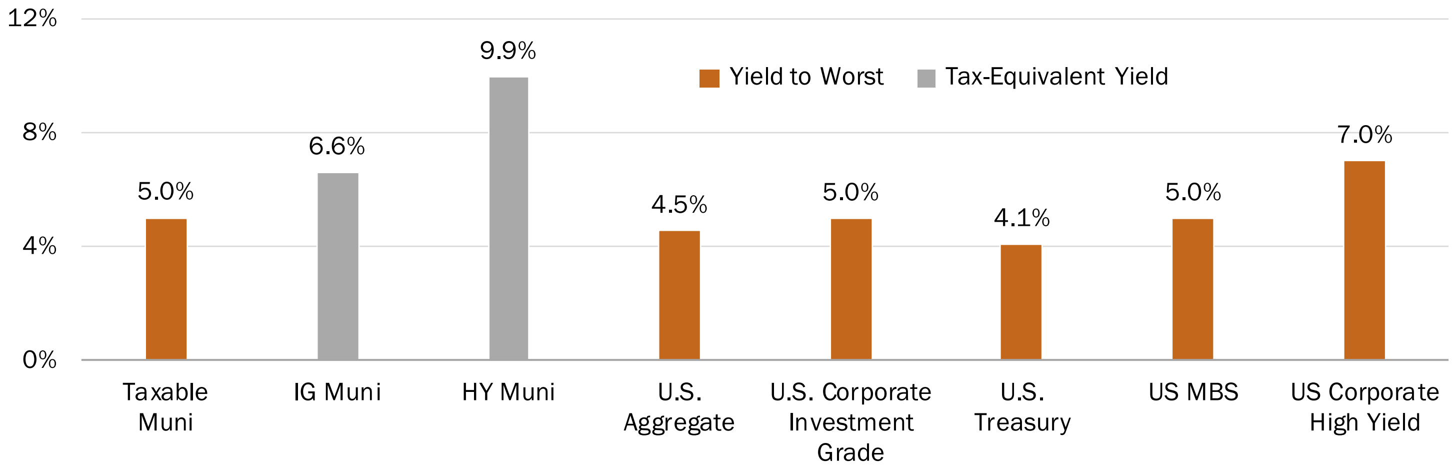
The iShares National Muni Bond ETF and the Vanguard Tax-Exempt Bond Index Fund ETF were selected for comparison purposes as they are among the largest and most widely used national municipal bond ETFs, representing broadly diversified, passively managed approaches to the national muni market.

Material differences between Exchange Traded Funds (ETFs) and Mutual Funds (MF): Liquidity: ETFs offer intra-day liquidity, although there may be transaction fees involved. MFs offer daily liquidity, although there may be transaction fees involved. Accou nt minimums and costs: ETFs have no account minimums and typically charge lower fees than MFs. MFs typically have low minimum accounts sizes and also carry sales charges. Holdings: ETF holdings are availability on a daily basis. Fs report holdings periodically on a set schedule. There may have been other time periods where the NYLI MacKay Utah Muni Fund did not outperform.

Distribution Yield Advantage for NYLI MacKay Utah Muni Class I (on a fully tax-exempt basis):

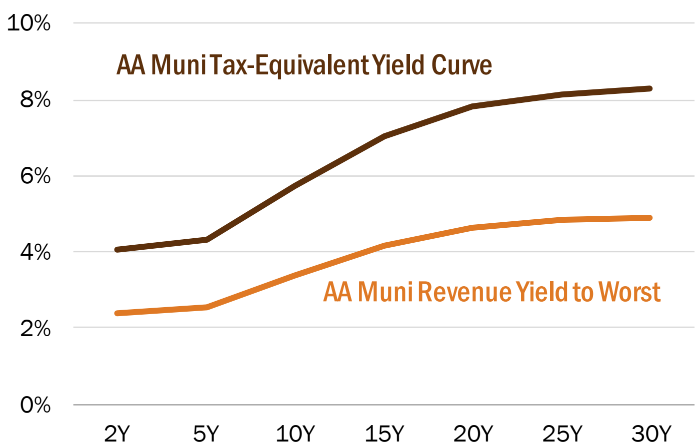
- +89bps over iShares National Muni Bond ETF
- +73bps over Vanguard Tax-Exempt Bond Index Fund ETF

INDEX YIELDS



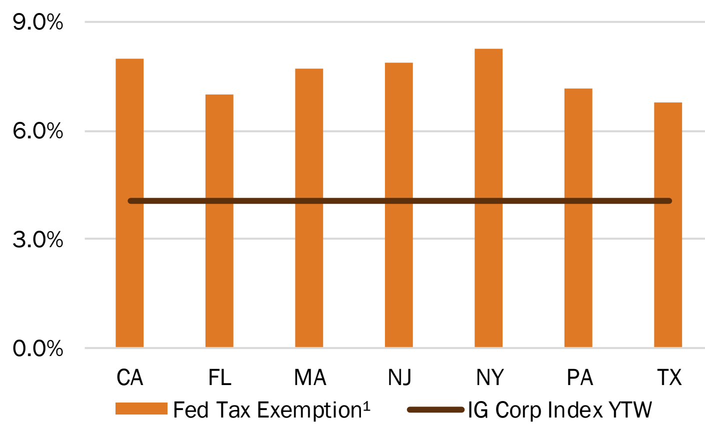
Data as of August 15, 2025.
1. Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.
Source: Bloomberg, UBS

AAA MUNI TAX-EQUIVALENT YIELD CURVE



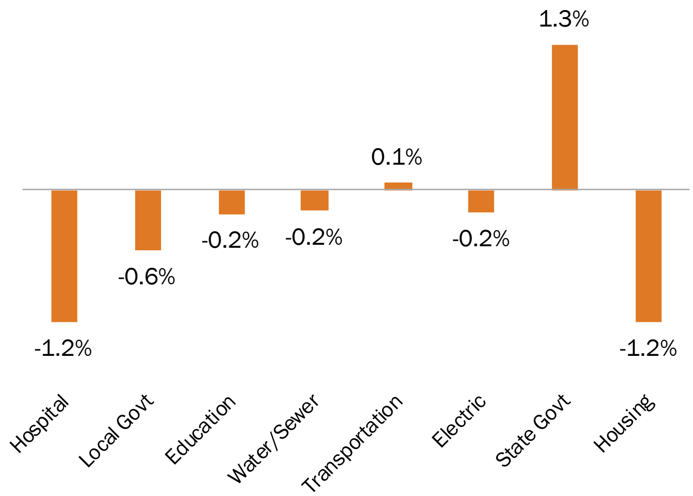
Data as of August 15, 2025.
Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.
Source: Bloomberg, UBS

IN-STATE MUNI TAX=EQUIVALENT YTW



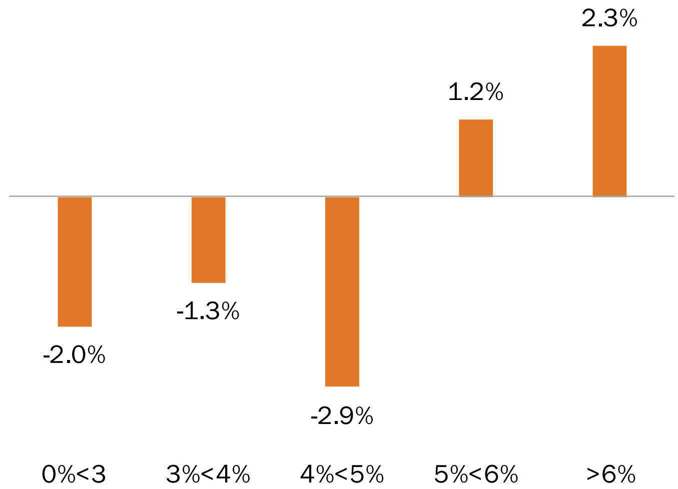
Data as of August 15, 2025.
Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.
Source: Bloomberg, UBS

YTD TOTAL RETURNS BY SECTOR



Data as of August 15, 2025.
Source: Bloomberg, UBS

YTD TOTAL RETURNS BY COUPON

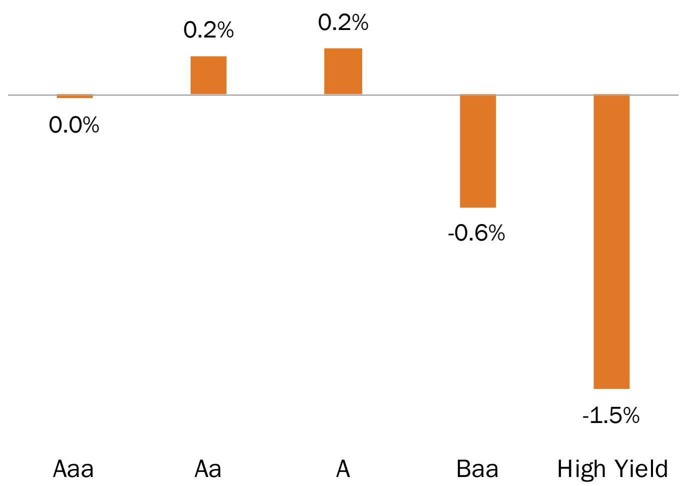


Data as of August 15, 2025.
Source: Bloomberg, UBS

YTD TOTAL RETURNS BY MATURITY

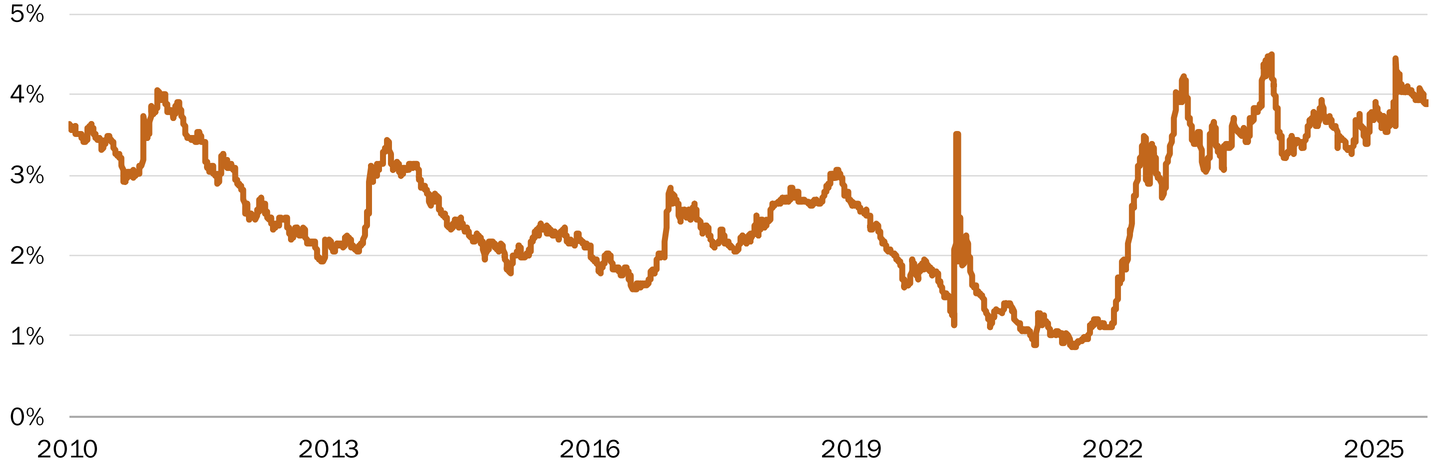
Data as of August 15, 2025.
Source: Bloomberg, UBS

YTD TOTAL RETURNS BY RATING CATEGORY



Data as of August 15, 2025.
Source: Bloomberg, UBS

BLOOMBERG MUNICIPAL YIELD-TO-WORST



Data as of August 18, 2025.
"Post GIFC Average" measures the period from 1/1/2010 – 7/4/2025
Source: Bloomberg

MUNI YIELDS

Tenor	8/8/2025	8/15/2025	Change (+/-)
BLOOMBERG AAA MUNI KEY RATE YIELDS			
2 YEAR	2.28%	2.26%	-0.02%
5 YEAR	2.43%	2.41%	-0.01%
10 YEAR	3.17%	3.19%	0.02%
30 YEAR	4.61%	4.64%	0.03%
US TREASURY RATE YIELDS			
2 YEAR	3.76%	3.75%	-0.01%
5 YEAR	3.84%	3.85%	0.01%
10 YEAR	4.27%	4.33%	0.06%
30 YEAR	4.85%	4.92%	0.07%
US TREASURY & AAA MUNI CURVE SLOPES[1]			
	2s10s	10s30s	2s30s
US TREASURY CURVE SLOPE	+ 58 bps	+ 59 bps	+ 117 bps
AAA MUNI CURVE SLOPE	+ 93 bps	+ 145 bps	+ 238 bps

Data as of August 18, 2025.
1. 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
Source: Bloomberg

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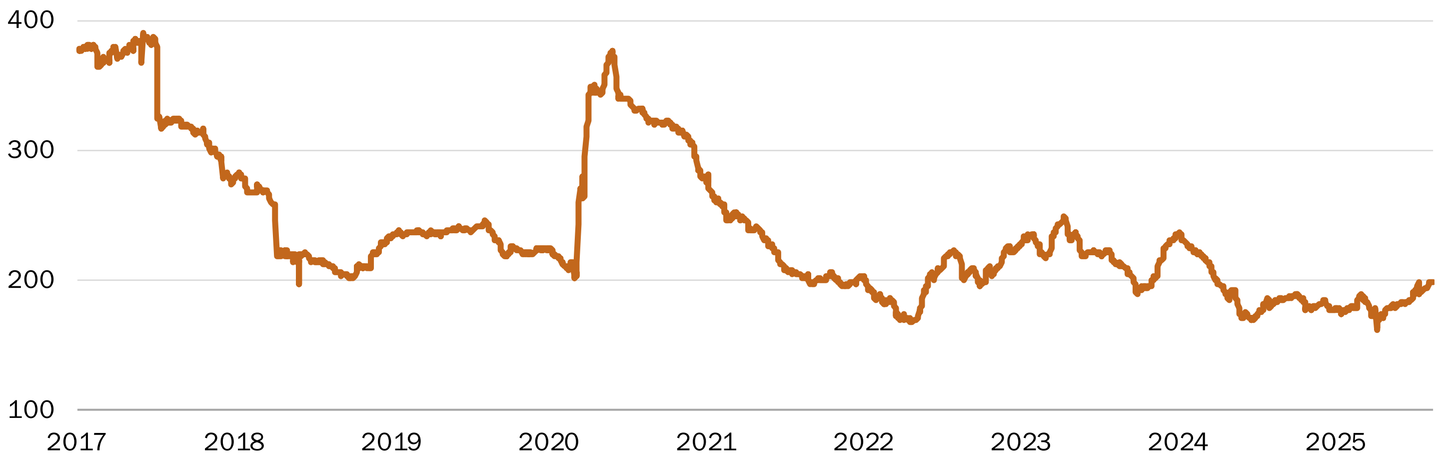
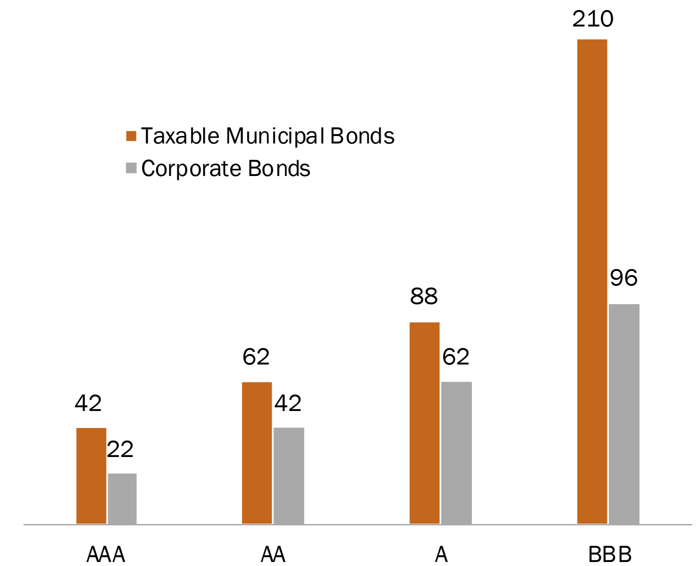
BLOOMBERG MUNICIPAL HIGH YIELD | AAA YIELD DIFFERENTIAL



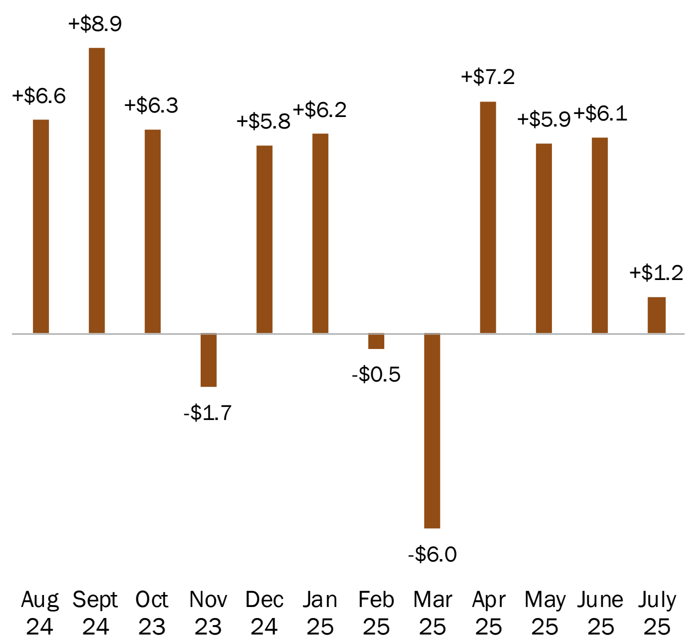
Data as of August 18, 2025.
Source: Bloomberg

TAXABLE MUNICIPAL AND CORPORATE CREDIT SPREADS



Data as of August 18, 2025.
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.
Source: ICE Data

LONG TERM FUND FLOWS | USD $BN



Data as of August 18, 2025.
Source: Investment Company Institute (ICI). http://www.ici.org.

DISCLOSURES

About Risk - NYLI MacKay Utah Muni 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.

Bonds face interest-rate and credit risk. When interest rates rise, bond values can decrease, and there's a risk that the issuer may not pay interest or principal on time. High-yield or "junk bonds" are speculative due to their higher risk of loss compared to higher-quality securities.

Because the Fund invests in municipal bonds issued by or on behalf of the State of Utah, any deterioration of Utah's fiscal situation and economic situation of its municipalities could cause greater volatility. The Fund is non- diversified and the Fund's risk is increased because each investment has a greater effect on the Fund's performance.

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Comparisons to a financial index are provided for illustrative purposes only. Comparisons to an index are subject to limitations because portfolio holdings, volatility and other portfolio characteristics may differ materially from the index. Unlike an index, portfolios within the composite are actively managed and may also include derivatives. There is no guarantee that any of the securities in an index are contained in any managed portfolio. The performance of an index may assume reinvestment of dividends and income, or follow other index-specific methodologies and criteria, but does not reflect the impact of fees, applicable taxes or trading costs which, unlike an index, may reduce the returns of a managed portfolio. Investors cannot invest in an index. Because of these differences, the performance of an index should not be relied upon as an accurate measure of comparison.

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INDEX DESCRIPTIONS

Bloomberg U.S. Taxable Municipal Bond Index

The 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 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-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 Municipal Bond High Yield Index
The Bloomberg Municipal Bond: High Yield Index is a flagship measure of the US municipal tax-exempt non-investment grade bond market. Included in the index are securities from all 50 US 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.

Bloomberg U.S. Aggregate Bond Index
The 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
The Bloomberg US Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility, and financial issuers. The index is a component of the US Credit and US Aggregate Indices, and provided the necessary inclusion rules are met, US 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. Treasury Index
The 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.

Bloomberg U.S. Mortgage Backed Security Index
The US MBS 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 US MBS Index.

Bloomberg U.S. Corporate High Yield Index
The Bloomberg US Corporate High Yield Bond 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.