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Taxable Munis Strengthen the Fixed Income Core

- Taxable Muni bonds provide strong core complement
- Muni curve tells tale of two different markets
- Differing ratios reinforce Muni cheapness

Relative Performance

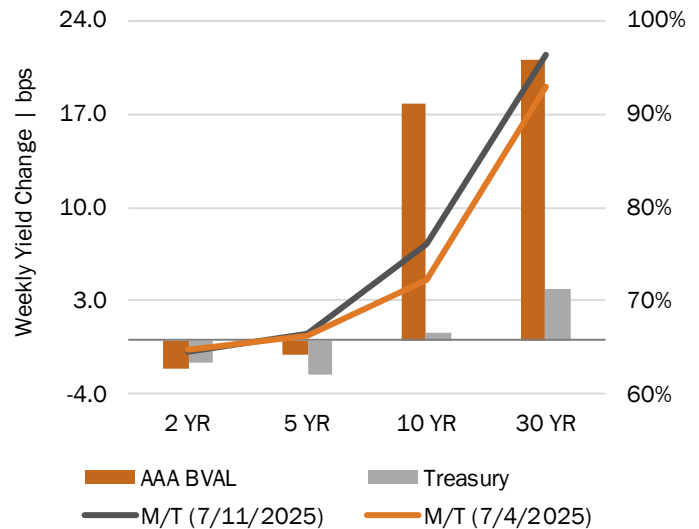
By historical measures, municipals had an assortment of supportive tailwinds that set the asset class up nicely for July performance. While the month is not done yet, this week's move, at least relative to US Treasuries, certainly establishes a more muted tone. Month-to-date, the Bloomberg Municipal Bond Index lost 105bps, compared to the 87bps decline for the Bloomberg US Treasury Index. Over the past five trading days, Municipals saw the bulk of that under-performance as yield rates rose by as much as 21bps for long tax-exempts compared to just a 4bps rise for 30-year US Treasuries. This stands in stark comparison to the very front of the curve where tax-exempts fell 2.1bps, compared to just 1.6bps decline for treasuries.

As such, Municipal-to-Treasury (M/T) yield ratios widened along the curve, with the 10-year M/T ratio rising to 76% from 72% last week and 30-year ratios rising from 92% to 96% over the past week. While our expectation is not that exempts cheapen meaningfully from here, there is still \$14 billion in supply over the next few weeks for the market to digest.

Market Technicals

Last week's heavy sales calendar brings 2025 YTD muni issuance level to \$337 billion, representing a 20% YoY growth rate. Despite all the cash coming back to investors this month, the move in rates (as described above) helped mute some of the stronger seasonal tailwinds for this month. Another metric that is looked at in the municipal marketplace is net supply, or the difference between upcoming principal and interest and redemptions compared to visible supply figures. This stands at

MUNIS OUTPERFORMED



Data as of July 18, 2025.

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.

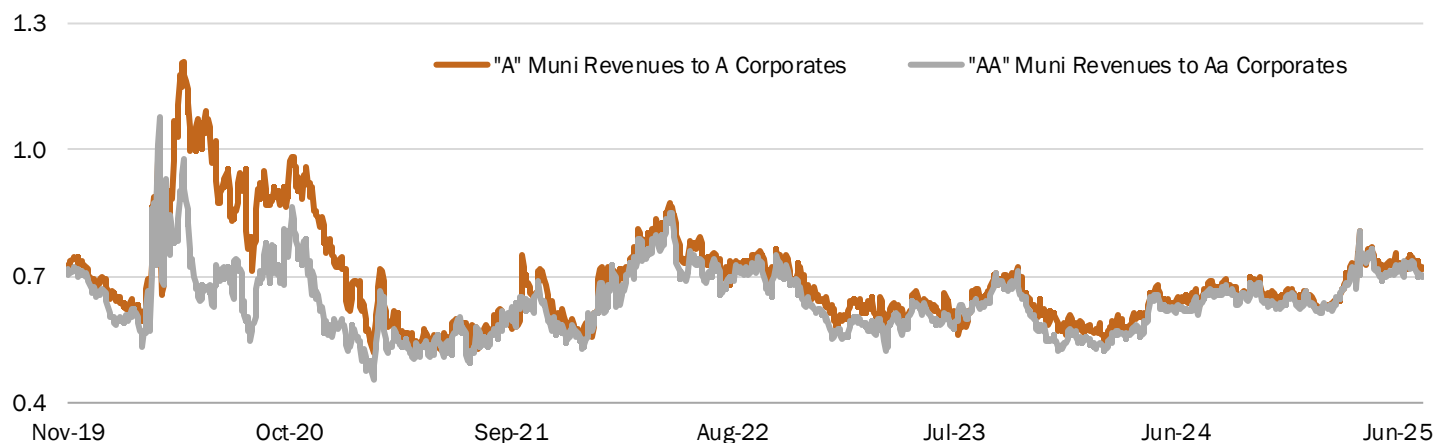
Source: Bloomberg

minus \$16 billion¹, which is still very constructive for total returns over the next 30-days, absent a further leg down in rates.

Looking at relative value for exempts, away from muni-to-US Treasury ratios, we can also evaluate the ratio of AA tax-exempt municipals to AA corporate bonds. By this measure, munis are at some of the cheapest levels since 2022.

1. Source: Bloomberg

MUNI TO CORPORATE RATIOS



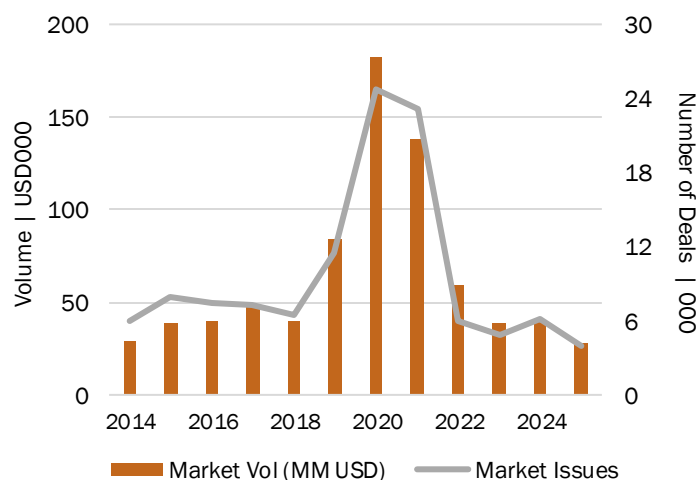
Data as of July 16, 2025.
Source: Bloomberg

Cross-Over Appeal Comes to Muniland

Common misconceptions about municipal bonds are that they are 1) only for tax-exempt investors and 2) always issued as tax-exempt securities. These are inaccurate. First, after tax adjustments, municipal bonds can benefit investors regardless of tax status due to their attractive yield levels. Second, taxable municipal bonds, an often-overlooked market segment, offer the same uncorrelated credit exposure as tax-exempt munis and complement core fixed income strategies with their differing characteristics.

Many tax-exempt investors use the ratio of AAA municipal bond yields to similar-duration U.S. Treasury yields to gauge whether munis are over- or undervalued, with higher ratios indicating better entry points. Similarly, we suggest comparing A and AA-rated municipal bond yields to like-duration corporate bonds. This ratio could help investors decide whether to shift from corporate debt to munis or vice versa. With the muni-to-corporate ratio rising close to the highest level since 2022, we believe the municipal credit asset class, as a whole, is worth a deeper look to investors. Still, for those still not sold of abandoning taxable altogether, we would highlight taxable municipals, as it allows for diversification of more traditional taxable credit risk exposures and provides some yield protection due to their callability features. Increased issuance this year indicates that the public finance market is responding to investor demand for this portion of the municipal market, with sales on track to hit the highest levels since 2021, on an annualized basis.

TAXABLE MUNI ISSUANCE



Data as of July 14, 2025.
Source: Bloomberg

Taxable Munis: Similar Great Yield, Less Credit Correlation

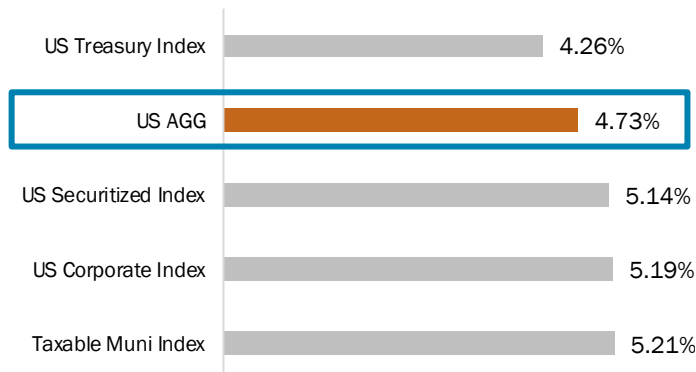
Mathematically speaking, municipals lack significant correlation to US corporates and equities. This fact, alone, should help to provide a buffer to poorer performance should the US economy fully roll over or head into a prolonged recession. In fact, we have noted in prior publications that the relatively high-quality nature of municipal bonds is attractive for both risk-conscious investors and institutions seeking to

meet their capital requirements efficiently. By the numbers, the Bloomberg taxable municipal bond index (BTMNTX Index) has an average credit quality of AA, while only 2% of the index has a BBB rating. Comparatively, the US IG Corporate bond index has an A- average credit quality and the index has a 47% weighting to BBB bonds. This is important because as of July 18, 2025, the yield to worst for these two indices are very close with taxable munis at 5.21% and US Corporates at 5.19%.

The Complement That Really Matters

While taxable munis have all the salient qualities listed above, we can still note that traditional core bond managers are under-allocated to taxable municipals, with a less than 1% average of total portfolios. Alternatively, we can propose a model with a 25% allocation to the taxable muni index and 75% allocation to the U.S. Agg Index. Over the past decade, a blended benchmark reflecting this revised allocation mix could have delivered a 175% improvement in risk-adjusted total return over the aggregate benchmark. This blend potentially provides enhancements in yield and diversification, highlighting characteristics that could be advantageous in portfolio construction.

COMPELLING YIELD WITHOUT SACRIFICING QUALITY



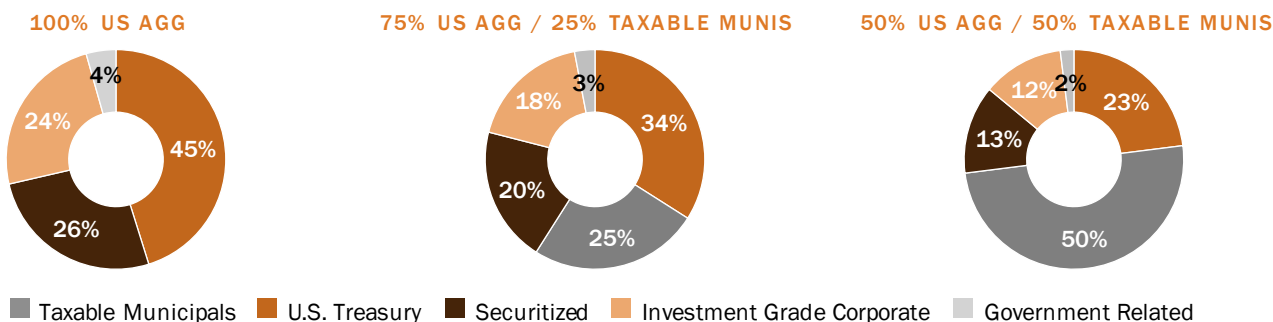
Tax adjustment assumes a tax rate used for taxable investors of 40.8%, which represents the cumulative income tax rate based on the 3.8% Medicare tax surcharge and a federal tax rate of 37.0%. Shown for illustrative purposes only and may not represent every taxpayer's applicable rates in every state. Consult your professional tax advisor for further guidance.

Source: ICE Data, Bloomberg as of June 30, 2025.

Taxable Munis: ICE BofA Broad US Taxable Municipal Securities Index; US Corp IG: Bloomberg US Corporate Bond Index; US Agg: Bloomberg US Aggregate Bond Index; US Securitized: Bloomberg US Securitized MBS ABS CMBS Index; US Treasury: Bloomberg US Treasury Index; Agg ex US: Bloomberg Global Aggregate Bond Index

It is not possible to invest directly in an index. Please see disclosures and index descriptions at the end of this presentation. **Past performance is not indicative of future results.**

REPLACING JUST 25% WITH TAXABLE MUNICIPALS COULD ENHANCE YIELD AND RETURNS, WHILE KEEPING THE RISK PROFILE IN LINE WITH THE US AGGREGATE



	Yield	10-Yr Total Return	10-Yr Std Dev	10-Yr Sharpe Ratio	10-Yr Correlation to S&P 500
100% U.S. AGGREGATE INDEX	4.51%	1.76%	5.03%	-0.04	0.39
75% U.S. AGGREGATE INDEX — 25% TAXABLE MUNI INDEX	4.63%	2.11%	5.46%	0.03	0.38
50% U.S. AGG INDEX / 50% TAXABLE MUNI INDEX	4.75%	2.46%	5.96%	0.09	0.37

As of June 30, 2025

For illustrative purposes only. Based on Morningstar data and asset allocation percentages determined by MacKay Shields and/or New York Life Investment Management. The returns shown above do not represent the returns of any client portfolio or strategy actually managed by MacKay Shields and should not be construed as such. The returns shown are index-based and mathematically calculated based on the percentages shown; MacKay Shields' portfolios are actively managed and would vary from any applicable or benchmarked index. Therefore, the returns shown are not indicative of investment skill. Actual portfolios would be subject to fees and expenses. No fees or expenses were included in the results above. No representation is made as to the accuracy and completeness of information contained in this presentation that has been obtained from third parties. **It is not possible to invest directly in an index. Past performance is not indicative of future results.** Please see the disclosures and index descriptions at the end of this presentation.

Source: Morningstar, New York Life Investment Management (used with permission).

Questions from the Field

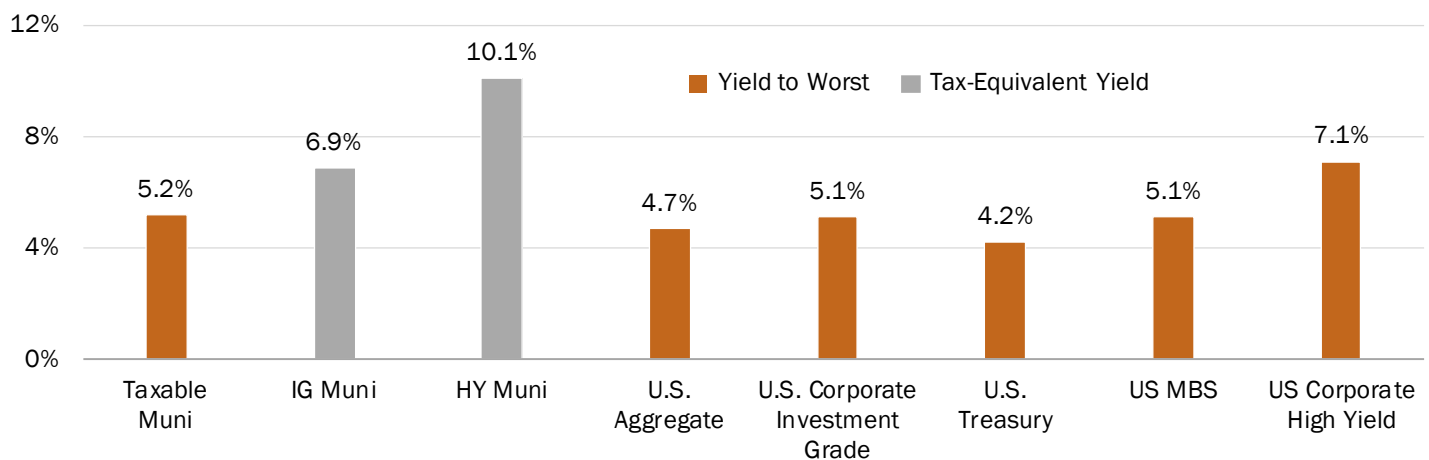
Q

With rising issuance, how has demand been from institutional investors this summer?

A

The demand from institutional investors continues to be strong with new issue pricings reporting to be multiple times over-subscribed. This means that there are orders for bonds in excess of how many bonds are being sold by a specific issuer. It is important to note, that muni bond demand widely depends on factors such as interest rates, the credit quality of the issuer, the bond's yield, and the economic environment. Even with interest rates having fluctuated in 2025, demand for strong high-quality municipal bonds (e.g., those rated AA or AAA) due to their tax-exempt status and relative safety, is reflective in still tight(er) credit spreads as well.

INDEX YIELDS

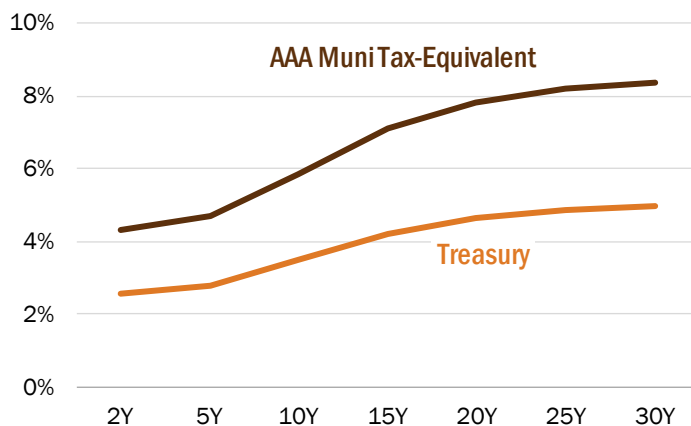


Data as of July 22, 2025.

1. Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.

Source: Bloomberg, UBS

AAA MUNI TAX-EQUIVALENT YIELD CURVE

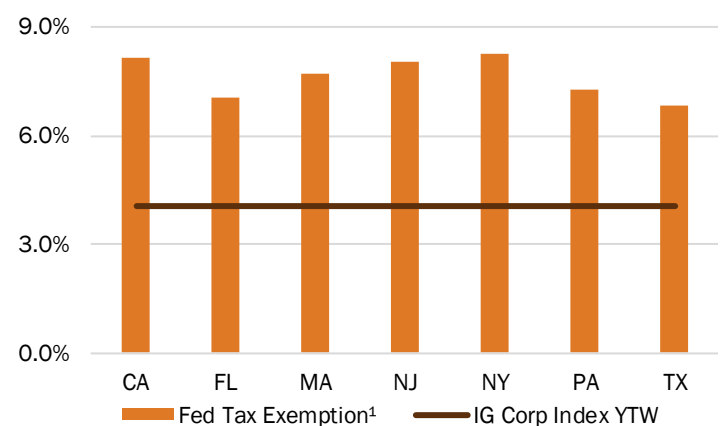


Data as of July 22, 2025.

Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.

Source: Bloomberg, UBS

IN-STATE MUNI TAX-EQUIVALENT YTW

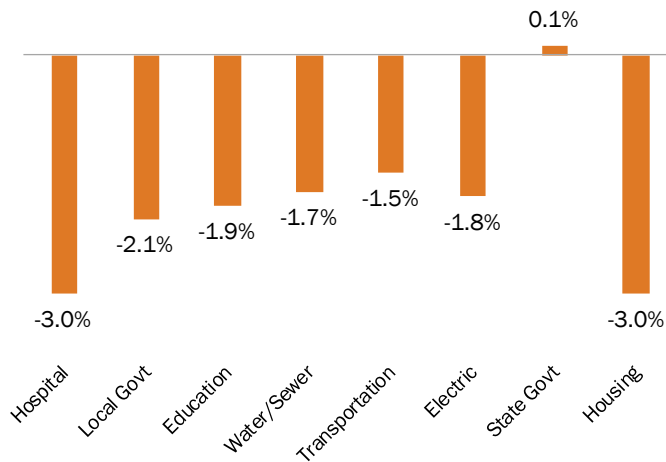


Data as of July 22, 2025.

Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.

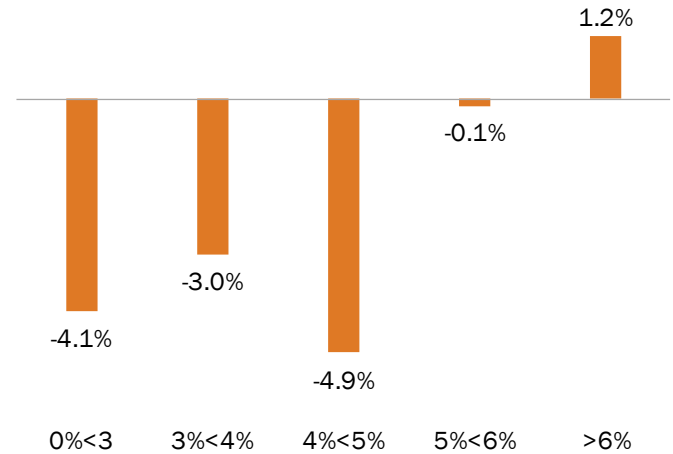
Source: Bloomberg, UBS

YTD TOTAL RETURNS BY SECTOR



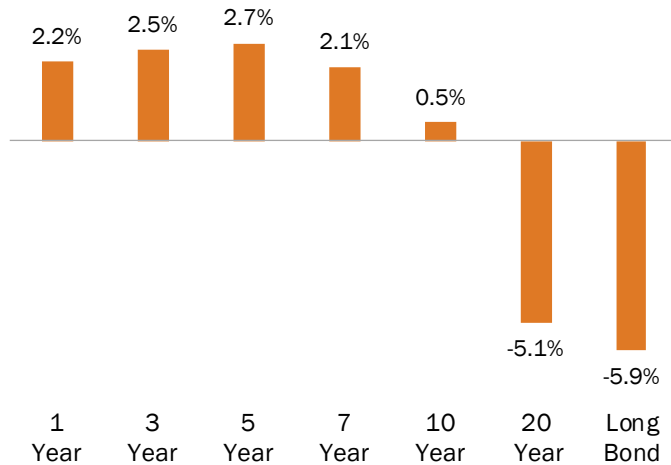
Data as of July 22, 2025.
Source: Bloomberg, UBS

YTD TOTAL RETURNS BY COUPON



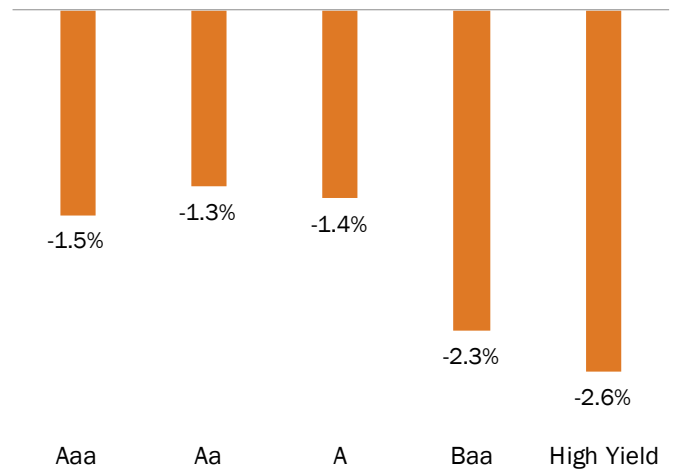
Data as of July 22, 2025.
Source: Bloomberg, UBS

YTD TOTAL RETURNS BY MATURITY



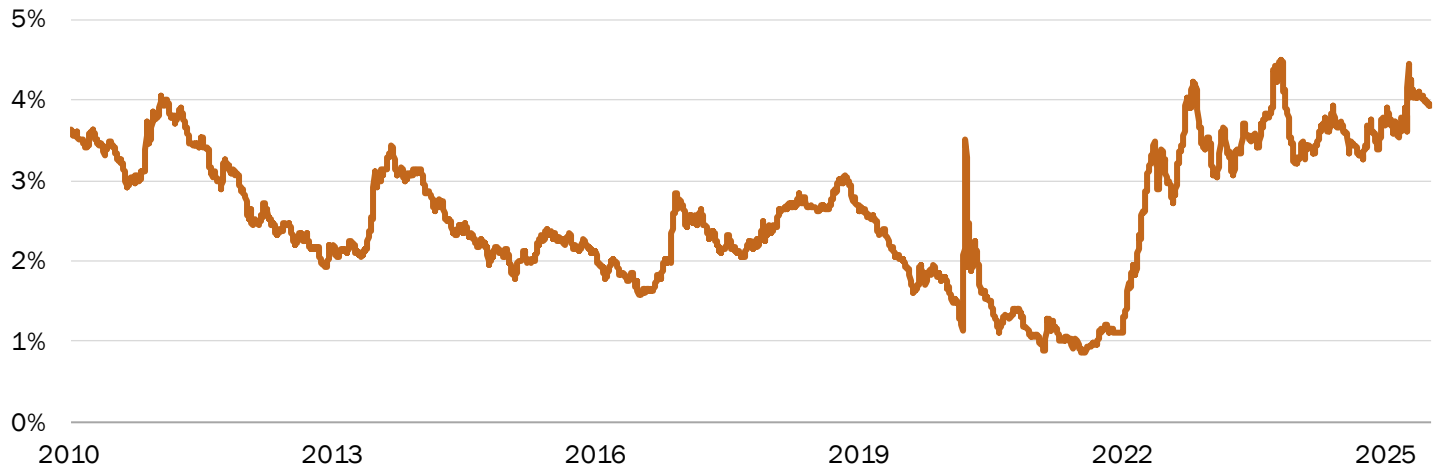
Data as of July 22, 2025.
Source: Bloomberg, UBS

YTD TOTAL RETURNS BY RATING CATEGORY



Data as of July 22, 2025.
Source: Bloomberg, UBS

BLOOMBERG MUNICIPAL YIELD-TO-WORST



Data as of July 18, 2025.

"Post GIFC Average" measures the period from 1/1/2010 - 7/4/2025

Source: Bloomberg

MUNI YIELDS

Tenor	7/11/2025	7/18/2025	Change (+/-)
BLOOMBERG AAA MUNI KEY RATE YIELDS			
2 YEAR	2.52%	2.50%	-0.02%
5 YEAR	2.63%	2.62%	-0.01%
10 YEAR	3.18%	3.36%	0.18%
30 YEAR	4.60%	4.81%	0.21%
US TREASURY RATE YIELDS			
2 YEAR	3.90%	3.88%	-0.02%
5 YEAR	3.99%	3.96%	-0.03%
10 YEAR	4.43%	4.44%	0.01%
30 YEAR	4.96%	5.00%	0.04%
US TREASURY & AAA MUNI CURVE SLOPES¹			
	2s10s	10s30s	2s30s
US TREASURY CURVE SLOPE	+ 378 bps	+ 393 bps	+ 15 bps
AAA MUNI CURVE SLOPE	+ 283 bps	+ 290 bps	+ 7 bps

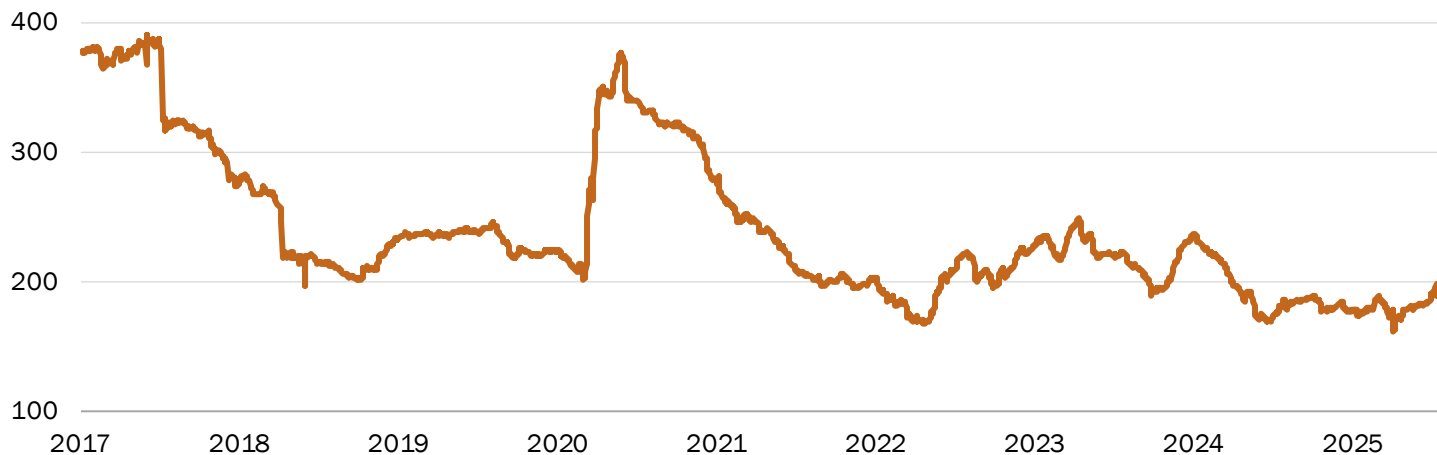
Data as of July 18, 2025.

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

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

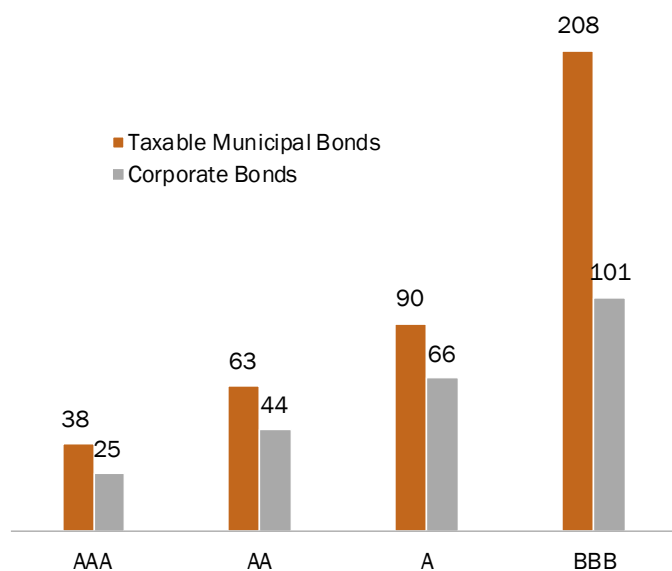
BLOOMBERG MUNICIPAL HIGH YIELD | AAA YIELD DIFFERENTIAL



Data as of July 18, 2025.

Source: Bloomberg

TAXABLE MUNICIPAL AND CORPORATE CREDIT SPREADS

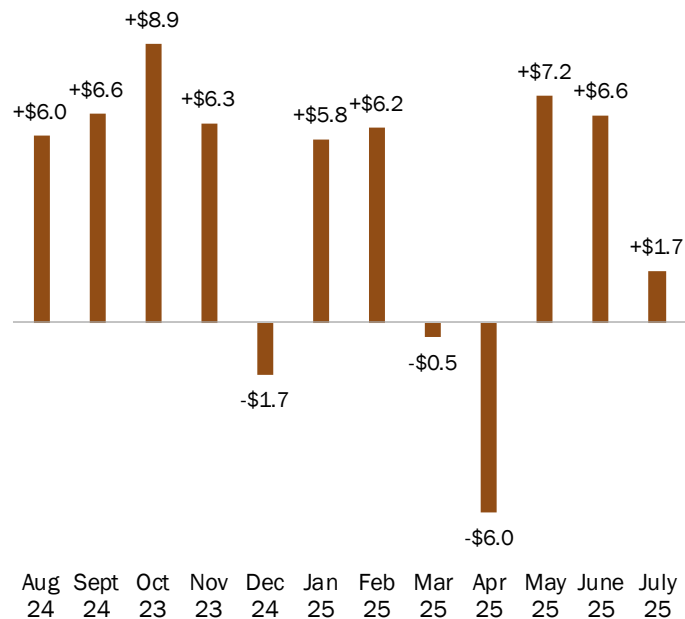


Data as of July 18, 2025.

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 July 18, 2025.

Source: Investment Company Institute (ICI). <http://www.ici.org>

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[NYLI MacKay Short Term Muni Fund | New York Life Investments](#)

ADDITIONAL YIELD DEFINITION

BVALAA, A, BBB and BB Yields is calculated by Bloomberg and is representative of the average 2YR spot rate on respective Bloomberg Yield curves of corporate credits with the respective average credit rating that are valued by Bloomberg's valuation service.

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INDEX DESCRIPTIONS

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 Municipal Bond Total Return Index

The Bloomberg Municipal Bond Total Return Index is a broad, market-weighted index that tracks the performance of the long-term, tax-exempt bond market in the United States. It includes general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds, and is designed to be a benchmark for investors in this market.