MUNICIPALS

# Beyond Buy-and-Hold

## Expand Municipal Allocations with Flexible Strategies

New York Life Investment Management | MacKay Shields

## Reimagining the Institutional Municipal Toolkit

The municipal market entered 2026 from a position of relative stability, yet the drivers of return have become more differentiated. Credit dispersion is widening, technical forces favor selectivity, and investor demand has concentrated in passive vehicles that prioritize liquidity and predictability. Within this environment, we believe institutional allocators should reconsider the architecture of their municipal exposure. Passive separately managed accounts (SMAs) and laddered portfolios continue to serve essential roles, but their structural design leaves attractively priced segments of the market inaccessible. Flexible municipal strategies, with their broader mandate and captive liquidity, may potentially complement that buy-and-hold exposure by reaching segments where active management has historically been rewarded.

## Key Characteristics of Flexible Municipal Strategies

- Diversified, core tax-exempt fixed income portfolios for investors meeting certain income or asset thresholds.[1]
- Actively managed portfolios driven by deep fundamental credit research and relative value trading.
- Income potential through short-term carry for certain investment vehicles.
- Designed to seek attractive after-tax total returns for certain investment vehicles.

## A Complementary Allocation for a Differentiated Market

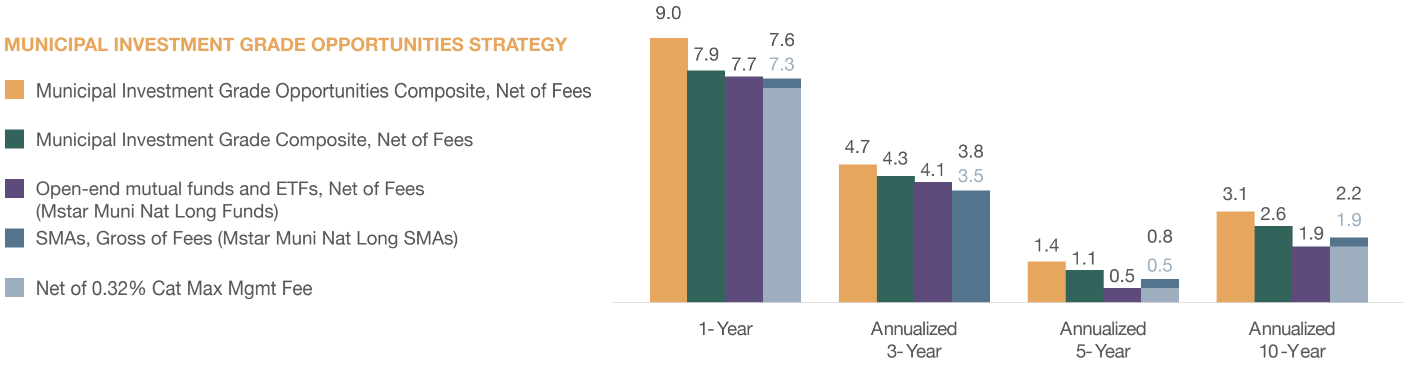
Following several years in which broad-based factors drove most of the municipal market in the same direction, 2026 presents a more nuanced opportunity set. The fading of extraordinary federal aid, the widening gap between essential-service revenue credits and tax-backed obligations, and the renewed importance of disciplined credit selection have together reintroduced dispersion across return outcomes. We believe credit differentiation, structural differentiation, and active flexibility are once again being rewarded. Allocators whose municipal exposure consists exclusively of passive ladders or rules-based SMAs may find that those vehicles, by design, do not engage with the part of the market where the most compelling relative value currently resides.

Flexible municipal strategies offer a differentiated complement in this context, combining a broader investment mandate with the structural features that active, research-driven managers rely on to generate alpha. Actively managed strategies may have certain advantages, supported by intentional curve positioning, access to structurally underrepresented segments, and disciplined security selection. Composite performance illustrates the cumulative effect of these advantages may have over time relative to peer vehicles (See Figures 1 and 2).

1 A qualified purchaser (QP) is an individual or entity defined by the Investment Company Act of 1940 (Section 2(a)(51)) authorized to invest in specific private, unregistered funds. Key criteria include individuals owning at least $5 million in investments, or entities owning/investing at least $25 million. An accredited investor is an individual or entity permitted to invest in private, unregistered securities, defined by the SEC as having a net worth over $1 million (excluding primary residence), annual income over $200,000 ($300,000 with spouse/partner) for two years, or holding specific professional licenses. These investors are considered financially sophisticated enough to bear the risks of private market investments.

## Figure 1: MacKay Shields Municipal Investment Grade Composites Performance vs. Peer Vehicles

### Historical Annualized Total Returns Outperformance Over Comparable Mutual Funds, ETFs, and SMAs June 2016 - June 2026




| AVERAGE ANNUALIZED STRATEGY OUTPERFORMANCE | | | | |
|---|---|---|---|---|
| VS. MUNICIPAL INVESTMENT GRADE COMPOSITE (NET) | +1.10 | +0.40 | +0.30 | +0.50 |
| vs. OPEN-END MUTUAL FUNDS AND ETFs (MORNINGSTAR MUNI NAT LONG FUNDS) | +1.26 | +0.62 | +0.86 | +1.21 |
| vs. SMAs, GROSS OF FEES (MORNINGSTAR MUNI NAT LONG SMAs) | +1.37 | +0.92 | +0.58 | +0.92 |
| vs. SMAs, NET OF 0.32% CAT AVG MAX MGMT FEES (MORNINGSTAR MUNI NAT LONG SMAs) | +1.69 | +1.24 | +0.90 | +1.24 |

**MacKay Municipal Managers™ (MMM) believes municipal market inefficiencies create opportunities for skilled active managers to pursue alpha. We view diversified, research-driven strategies that actively seek relative value and attractive income as best positioned for success, while more constrained, defensive approaches may leave opportunities on the table.**

Data as of June 30, 2026. Based on annualized total returns. All performance is net of fees. Average max mgmt. fee for SMAs in the Morningstar Muni National Long Separate Account category is 0.32%.

Municipal Investment Grade Composite and Municipal High Yield Composite are included for comparison purposes to MacKay Shields Municipal Opportunities Composite and MacKay Shields Municipal Credit Opportunities Composite as they are invested in the municipal investment grade and municipal high yield markets, respectively.

Open-end mutual funds and ETFs labels on the charts represent the Morningstar Muni National Long Funds category and Morningstar High Yield Muni Funds category for the comparison to MacKay Shields Municipal Opportunities Composite and MacKay Shields Municipal Credit Opportunities Composite, respectively.

SMAs represent the Morningstar Muni National Long Separate Account category, while mutual funds represent the Morningstar Muni National Long Funds category. Both categories consist of nationally diversified municipal portfolios with long-duration characteristics and have the same definition as the Morningstar Muni National Long category.

We reviewed the turnover of the top ten SMA peers (i.e. the Morningstar Muni National Long Separate Account category) based on assets under management, excluding the MacKay Shields Municipal Opportunities Composite. The analysis indicates that the top ten SMA peers tend to exhibit lower turnover (average weighted turnover ratio of 22% as of 12/31/25) relative to MacKay Shields Municipal Opportunities Composite that has a turnover of 84% as of 12/31/25, exhibiting a more active approach to portfolio management.

SMAs are excluded from the Municipal Credit Opportunities composite analysis because the Morningstar peer group is limited. Furthermore, we believe investor preference is generally for SMAs in the investment-grade municipal space and for commingled products in the high-yield municipal space.

Material differences between Mutual Funds (MF), and Separately Managed Accounts (SMA): Security selection: MF investors cannot dictate which securities will be in the fund. SMA investors can request the manager sell an individual security or restrict exposure to certain securities. Liquidity: MFs offer daily liquidity, although there may be transaction fees involved. With SMAs, it may take a few days to get your money fully invested and managers may only allow the liquidation of managed accounts at certain times. Capital gains: MFs must pay out income and capital gains to investors, which is a taxable event. With SMAs, an investor can ask a manager to be as tax-efficient as possible and to try to offset gains and losses. Account minimums and costs: MFs typically have lower minimum accounts sizes than SMAs. MFs may also carry sales charges. SMAs typically charge higher fees than MFs due to their customizable nature. Holdings: SMA investors may request access to account holdings at any time. MFs report holdings periodically on a set schedule.

Please see composites disclosures at the end of this material.

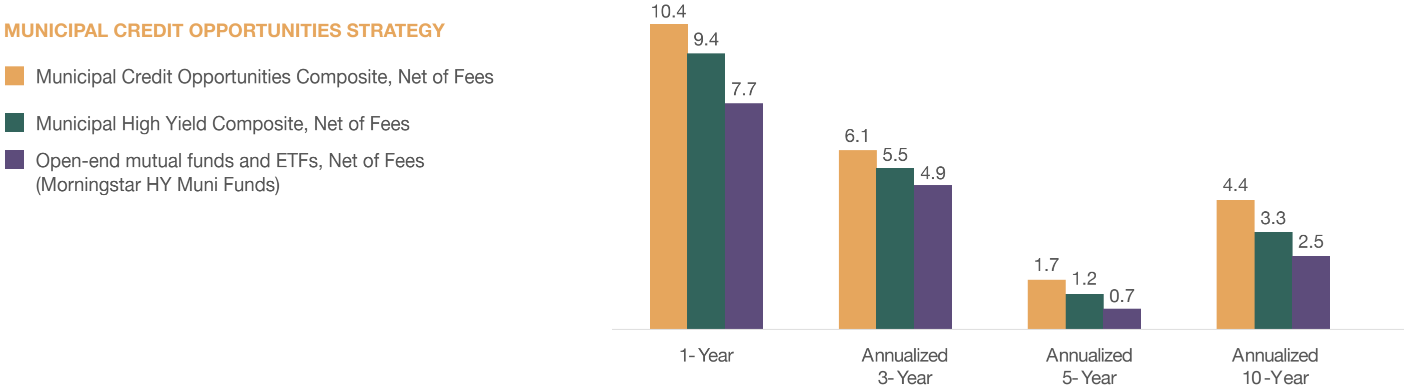
The net performance of a composite is not directly comparable to the net performance experienced by investors in a fund. Composite net returns are typically calculated by deducting a model or representative management fee, whereas fund-level returns reflect the impact of additional fees and expenses, such as fund operating expenses, and other costs borne by investors. As a result, net returns realized by funds are generally lower than composite net returns. Because fees and expenses can vary across investment vehicles and strategies, performance comparisons to benchmarks or peer groups may appear less favorable when based on fund returns rather than composite results.

**Past performance is not indicative of future results. See further disclosures at the end of this document.**

Sources: Morningstar, MacKay Shields, Callan LLC, based on monthly returns.

## Figure 2: MacKay Shields Municipal High Yield Composites Performance vs. Peer Vehicles

### Historical Annualized Total Returns Outperformance Over Comparable Mutual Funds and ETFs
### June 2016 - June 2026




| AVERAGE ANNUALIZED STRATEGY OUTPERFORMANCE | | | | |
|---|---|---|---|---|
| VS. MUNICIPAL HIGH YIELD COMPOSITE (NET) | +1.00 | +0.60 | +0.50 | +1.10 |
| vs. OPEN-END MUTUAL FUNDS AND ETFs (MORNINGSTAR HY MUNI FUNDS) | +2.70 | +1.20 | +1.0 | +1.90 |

**MacKay Municipal Managers™ (MMM) believes municipal market inefficiencies create opportunities for skilled active managers to pursue alpha. We view diversified, research-driven strategies that actively seek relative value and attractive income as best positioned for success, while more constrained, defensive approaches may leave opportunities on the table.**

Data as of June 30, 2026. Based on annualized total returns. All performance is net of fees. Average max mgmt. fee for SMAs in the Morningstar Muni National Long Separate Account category is 0.32%.

Municipal Investment Grade Composite and Municipal High Yield Composite are included for comparison purposes to MacKay Shields Municipal Opportunities Composite and MacKay Shields Municipal Credit Opportunities Composite as they are invested in the municipal investment grade and municipal high yield markets, respectively.

Open-end mutual funds and ETFs labels on the charts represent the Morningstar Muni National Long Funds category and Morningstar High Yield Muni Funds category for the comparison to MacKay Shields Municipal Opportunities Composite and MacKay Shields Municipal Credit Opportunities Composite, respectively.

We reviewed the turnover of the top ten SMA peers (i.e. the Morningstar Muni National Long Separate Account category) based on assets under management, excluding the MacKay Shields Municipal Opportunities Composite. The analysis indicates that the top ten SMA peers tend to exhibit lower turnover (average weighted turnover ratio of 22% as of 12/31/25) relative to MacKay Shields Municipal Opportunities Composite that has a turnover of 84% as of 12/31/25, exhibiting a more active approach to portfolio management.

SMAs are excluded from the Municipal Credit Opportunities composite analysis because the Morningstar peer group is limited. Furthermore, we believe investor preference is generally for SMAs in the investment-grade municipal space and for commingled products in the high-yield municipal space.

Material differences between Mutual Funds (MF), and Separately Managed Accounts (SMA): Security selection: MF investors cannot dictate which securities will be in the fund. SMA investors can request the manager sell an individual security or restrict exposure to certain securities. Liquidity: MFs offer daily liquidity, although there may be transaction fees involved. With SMAs, it may take a few days to get your money fully invested and managers may only allow the liquidation of managed accounts at certain times. Capital gains: MFs must pay out income and capital gains to investors, which is a taxable event. With SMAs, an investor can ask a manager to be as tax-efficient as possible and to try to offset gains and losses. Account minimums and costs: MFs typically have lower minimum accounts sizes than SMAs. MFs may also carry sales charges. SMAs typically charge higher fees than MFs due to their customizable nature. Holdings: SMA investors may request access to account holdings at any time. MFs report holdings periodically on a set schedule.

Please see composites disclosures at the end of this material.

The net performance of a composite is not directly comparable to the net performance experienced by investors in a fund or limited partnership. Composite net returns are typically calculated by deducting a model or representative management fee, whereas fund-level (LP) returns reflect the impact of additional fees and expenses, such as incentive fees, fund operating expenses, and other costs borne by investors. As a result, net returns realized by LPs are generally lower than composite net returns. Because fees and expenses can vary across investment vehicles and strategies, performance comparisons to benchmarks or peer groups may appear less favorable when based on LP returns rather than composite results.

**Past performance is not indicative of future results. See further disclosures at the end of this document.**

Sources: Morningstar, MacKay Shields, Callan LLC, based on monthly returns.

MacKay Municipal Managers offers flexible municipal strategies that seek to capitalize on market inefficiencies, build yield advantage, and pursue attractive after-tax total return opportunities across changing market conditions.

## MacKay Municipal Managers™ Strategies

| Strategy / Inception | Institutional Segregated Account | Private Vehicles | Mutual Funds |
|---|---|---|---|
| Municipal Investment Grade / 2008 | ✓ | ✓ | ✓ |
| Municipal High Income / 2021 | ✓ | ✓ | |
| Municipal High Yield / 2009 | ✓ | ✓ | ✓ |
| Municipal Short Term / 2011 | ✓ | ✓ | ✓ |
| Municipal Total Return / 2016 | ✓ | ✓ | |

The above table does not include an exhaustive list of municipal strategies.

## Where Structural Constraints Leave Value on the Table

The case for adding flexibility to a passive municipal allocation rests on a recognition that many of the most attractively priced segments of the muni market are structurally inaccessible to rules-based vehicles. Passive SMAs and ETFs are notable as much for what they cannot hold as for what they do hold. Their guidelines typically constrain them to a narrow set of bond types, credit qualities, and maturity buckets, regardless of the relative value picture in adjacent segments. Two structural inefficiencies warrant particular attention.

**The first is curve positioning.** Municipal bond ladders are typically constructed across defined maturity ranges, most commonly 5-10 years, with capital allocated across staggered maturity buckets and proceeds systematically reinvested as bonds mature. This structure results in a natural concentration of portfolio exposure in the intermediate portion of the yield curve. Because ladder strategies allocate to predetermined maturity points rather than dynamically adjusting based on relative value, investor demand tends to cluster in the 'belly' of the curve, often in the 7–10 year range. Municipal bond returns vary meaningfully across maturity segments, suggesting that such demand clustering may contribute to persistent relative value differences across the curve.[2]

The municipal curve, however, in our view, remains attractively steep beyond that segment. Modest extensions in maturity into the 12-22 year area of the curve may generate meaningful incremental yield even before active credit selection is layered on (see Figure 3).

Flexible managers, unconstrained by ladder mechanics, can position deliberately along the full curve where they believe forward return characteristics, rolldown potential, and valuation are most favorable.

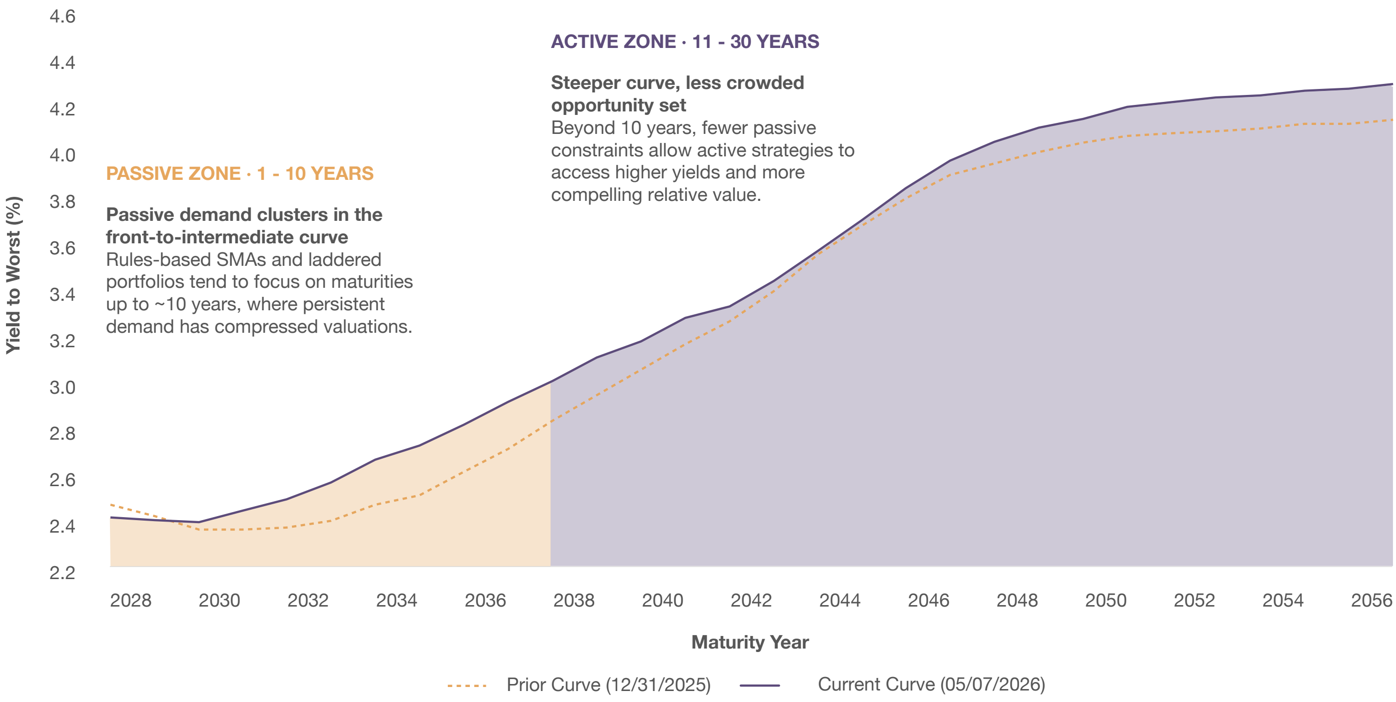
**The second is sector access.** Areas such as Alternative Minimum Tax ("AMT") bonds, electric and natural-gas prepaid structures, and housing securities remain underrepresented in passive portfolios. The reason is structural complexity rather than credit concern; passive methodologies are generally not equipped to evaluate variable cash flows, embedded optionality, or non-standard credit structures. Lower-coupon bonds trading through the market discount threshold and hard-put structures present a similar set of opportunities. Active managers with the analytical capacity to underwrite these structures can target segments that rules-based vehicles systematically pass over, with the opportunity to capture the relative value that the resulting demand imbalances tend to create.

A related consideration concerns how laddered SMA performance is typically measured. Allocators evaluating these portfolios frequently rely on current yield, which reflects coupon as a percentage of current market price. Current yield does not necessarily approximate the income a portfolio is actually generating on a book basis, particularly in portfolios constructed during a different rate environment. The gap between quoted current yield and accrual yield can be meaningful, and a laddered portfolio's book yield does not adjust upward simply because the prevailing curve has shifted; it evolves only as individual bonds mature and proceeds are reinvested. Understanding what a portfolio is actually accruing, rather than what its current yield implies, is an important input into the decision of how to deploy each maturing rung.

2 Source: MunicipalBonds.com – Building a Muni Bond Ladder

## Figure 3: Municipal Yield Curve at Varying Durations

**Yield levels at different points along the municipal curve, illustrating the steeper segment beyond the typical 10-year ladder endpoint.**




Source: Bloomberg BVAL AAA Municipal Callable Curve. BVAL is Bloomberg's evaluated pricing service. The AAA curve is intended to represent a theoretical AAA-rated tax-exempt municipal yield curve constructed from Bloomberg's evaluated municipal bond universe. As of May 7, 2026.

## A Bolt-On Strategy: The Natural Evolution at the Next Maturity

Most institutional allocators with established municipal exposure are unlikely to overhaul their portfolios in a single decision. The more practical entry point is the recurring reinvestment moment that laddered SMAs and similar vehicles produce. Each maturing run creates a natural decision point, an opportunity to ask whether the next allocation should replicate what came before or whether a portion of those proceeds should be redeployed into a strategy with greater flexibility and return potential.

Positioned this way, a flexible municipal allocation functions as a bolt-on to the existing core, not a wholesale reconstruction of it. Even modest additions to a portfolio may begin to address the structural gaps that passive vehicles leave behind, expanding access to underrepresented sectors, improving curve positioning, and introducing a yield profile less constrained by index mechanics.

For institutional investors navigating an environment in which yield, dispersion, and structural complexity matter more than they have in years, we believe flexible municipal strategies represent a forward-looking allocation decision grounded in active management and disciplined risk management. They are designed to complete the institutional municipal allocation framework, complementing the role of passive SMA and ladder exposure rather than substituting for it, and to access the full opportunity set that the municipal market presents in 2026 and beyond.

## DISCLOSURES

### Municipal Investment Grade Opportunities: Composite Disclosures

| Period | MacKay Shields Composite Gross Returns (%) | MacKay Shields Composite Net Returns (%) | Bloomberg U.S. Muni Bond Index* Returns (%) | Composite 3-Yr St Dev (%) | Benchmark* 3-Yr St Dev (%) | No. of Accts. | Composite Assets ($Mil) | Firm Assets ($Mil) | Internal Dispersion (%) |
|---|---|---|---|---|---|---|---|---|---|
| 2026 (Thru 6/30) | 3.2 | 3.1 | 2.3 | 6.0 | 5.5 | ≤5 | 2,573 | 162,156 | N/A |
| 2025 | 5.5 | 5.2 | 4.2 | 6.3 | 5.8 | ≤5 | 2,795 | 158,884 | 0.2 |
| 2024 | 2.6 | 2.3 | 1.1 | 8.4 | 7.6 | ≤5 | 3,106 | 150,568 | 0.2 |
| 2023 | 7.3 | 7.0 | 6.4 | 8.3 | 7.4 | ≤5 | 3,167 | 139,163 | 0.2 |
| 2022 | -10.1 | -10.4 | -8.5 | 8.0 | 6.4 | ≤5 | 3,015 | 128,584 | 0.0 |
| 2021 | 3.9 | 3.6 | 1.5 | 5.5 | 3.9 | ≤5 | 3,298 | 163,646 | 0.0 |
| 2020 | 6.2 | 5.9 | 5.2 | 5.6 | 4.0 | ≤5 | 3,282 | 153,995 | 0.0 |
| 2019 | 10.2 | 9.9 | 7.5 | 2.8 | 2.4 | ≤5 | 3,089 | 131,978 | 0.0 |
| 2018 | 2.1 | 1.8 | 1.3 | 3.8 | 3.4 | ≤5 | 2,547 | 107,467 | 0.0 |
| 2017 | 8.3 | 8.0 | 5.4 | 3.9 | 3.3 | ≤5 | 1,923 | 98,098 | 0.0 |
| 2016 | 1.6 | 1.4 | 0.2 | 4.4 | 3.4 | ≤5 | 1,556 | 94,540 | 0.0 |

* Bloomberg Municipal Bond Index

The Municipal Investment Grade Opportunities Composite includes all discretionary municipal investment grade opportunities accounts managed with similar objectives for a full month, including those accounts no longer with the firm. The strategy focuses on municipal bonds that are rated investment grade or, if unrated, that we determine to be of comparable quality. This strategy has the ability to borrow and reinvest the proceeds to leverage the portfolio depending upon client guidelines. Gross-of-fees composite performance reflects reinvestment of income and is a market-weighted average of the time-weighted return, before advisory fees and related expenses, of each account for the period since inception. Net-of-fees composite performance is derived by reducing the monthly gross-of-fees composite returns by 0.0208%, our highest monthly fee. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Performance is expressed in US Dollars. All portfolios in the composite are fee-paying portfolios. There can be no assurance that the rate of return for any account within a composite will be the same as that of the composite presented. **Past performance is not indicative of future results.**

The composite inception date was 7/1/08 and the composite period from inception through 6/30/09 was developed at Mariner Municipal Managers, LLC. Substantially all the investment decision-makers from Mariner Municipal Managers, LLC became employed by MacKay Shields LLC on 7/1/09. The decision-making group and process within Mariner Municipal Managers, LLC continues intact and independent within MacKay Shields. This group and process are responsible for the composite performance; therefore the current composite performance is linked to the prior Mariner Municipal Managers composite history. The composite creation date at MacKay Shields was 7/1/09.

MacKay Shields claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. For GIPS purposes, the firm includes assets managed by MacKay Shields LLC and the Emerging Market Debt investment team of its affiliate, NYL Investments UK LLP, who have been appointed as officers of MacKay Shields. MacKay Shields LLC is an SEC registered investment advisor. The firm has been independently verified from January 1, 1988 through December 31, 2025. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. A list including composite descriptions, pooled fund descriptions for limited distribution pooled funds, and broad distribution funds is available upon request. Leverage can be used up to 0.5x in this composite. The asset mix of municipal investment grade opportunities accounts may not be precisely comparable to the Bloomberg Municipal Bond Index. Indices do not incur management fees, transaction costs or other operating expenses. Investments cannot be made directly into an index. The Bloomberg Municipal Bond Index is referred to for comparative purposes only and is not intended to parallel the risk or investment style of the portfolios in the MacKay Shields Composite. Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns and the index returns over the preceding 36-month period.

## DISCLOSURES

### Municipal Investment Grade: Composite Disclosures

| Period | MacKay Shields Composite Gross Returns (%) | MacKay Shields Composite Net Returns (%) | Bloomberg U.S. Muni Bond Index* Returns (%) | Composite 3-Yr St Dev (%) | Benchmark* 3-Yr St Dev (%) | No. of Accts. | Composite Assets ($Mil) | Firm Assets ($Mil) | Internal Dispersion (%) |
|---|---|---|---|---|---|---|---|---|---|
| 2026 (Thru 6/30) | 2.9 | 2.7 | 2.3 | 5.6 | 5.5 | 13 | 12,087 | 162,156 | N/A |
| 2025 | 4.7 | 4.5 | 4.2 | 5.8 | 5.8 | 17 | 11,159 | 158,884 | 0.6 |
| 2024 | 2.1 | 1.9 | 1.1 | 8.0 | 7.6 | 11 | 11,255 | 150,568 | 0.3 |
| 2023 | 7.1 | 6.8 | 6.4 | 7.9 | 7.4 | 8 | 10,433 | 139,163 | 0.1 |
| 2022 | -9.7 | -9.9 | -8.5 | 7.3 | 6.4 | 7 | 8,524 | 128,584 | 0.2 |
| 2021 | 2.8 | 2.5 | 1.5 | 4.5 | 3.9 | ≤5 | 10,157 | 163,646 | 0.1 |
| 2020 | 6.9 | 6.7 | 5.2 | 4.4 | 4.0 | ≤5 | 8,263 | 153,995 | 0.1 |
| 2019 | 8.5 | 8.2 | 7.5 | 2.3 | 2.4 | ≤5 | 5,469 | 131,978 | 0.0 |
| 2018 | 2.3 | 2.0 | 1.3 | 3.5 | 3.4 | ≤5 | 3,007 | 107,467 | 0.0 |
| 2017 | 6.4 | 6.2 | 5.4 | 3.5 | 3.3 | ≤5 | 2,940 | 98,098 | 0.0 |
| 2016 | 1.2 | 1.0 | 0.2 | 3.8 | 3.4 | ≤5 | 2,233 | 94,540 | 0.0 |

* Bloomberg Municipal Bond Index

The Municipal Investment Grade Composite includes all discretionary municipal investment grade accounts managed with similar objectives for a full month, including those accounts no longer with the firm. The strategy focuses on municipal bonds that are rated investment grade or, if unrated, that we determine to be of comparable quality. The Municipal Investment Grade Composite was formerly called the Municipal Fund Composite. Gross-of-fees composite performance reflects reinvestment of income and is a market-weighted average of the time-weighted return, before advisory fees and related expenses, of each account for the period since inception. Net-of-fees composite performance is derived by reducing the monthly gross-of-fees composite by 0.0208%, our highest monthly fee. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Performance is expressed in US Dollars. The composite creation and inception date is 7/1/09. All portfolios in the composite are fee-paying portfolios. There can be no assurance that the rate of return for any account within a composite will be the same as that of the composite presented. **Past performance is not indicative of future results.**

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| Period | MacKay Shields Composite Gross Returns (%) | MacKay Shields Composite Net Returns (%) | Bloomberg U.S. Muni Bond Index* Returns (%) | Composite 3-Yr St Dev (%) | Benchmark* 3-Yr St Dev (%) | No. of Accts. | Composite Assets ($Mil) | Firm Assets ($Mil) | Internal Dispersion (%) |
|---|---|---|---|---|---|---|---|---|---|
| 2026 (Thru 6/30) | 4.9 | 4.5 | 3.8 | 7.3 | 6.5 | ≤5 | 3,883 | 162,156 | N/A |
| 2025 | 5 | 4.2 | 3.1 | 7.7 | 7.0 | ≤5 | 4,067 | 158,884 | 0.0 |
| 2024 | 6.4 | 5.6 | 5 | 10.1 | 9.4 | ≤5 | 4,363 | 150,568 | 0.0 |
| 2023 | 8.7 | 7.9 | 9.1 | 9.9 | 9.3 | ≤5 | 4,515 | 139,163 | 0.0 |
| 2022 | -12.7 | -13.4 | -12.4 | 10.2 | 10 | ≤5 | 4,544 | 128,584 | 0.0 |
| 2021 | 8.5 | 7.7 | 6.3 | 7.4 | 7.7 | ≤5 | 5,427 | 163,646 | 0.0 |
| 2020 | 7.1 | 6.3 | 4.8 | 7.5 | 7.7 | ≤5 | 4,542 | 153,995 | 0.0 |
| 2019 | 14.2 | 13.3 | 10.3 | 3.5 | 2.8 | ≤5 | 3,529 | 131,978 | 0.0 |
| 2018 | 7.5 | 6.7 | 3.2 | 5.2 | 4.3 | ≤5 | 2,757 | 107,467 | 0.0 |
| 2017 | 10.9 | 10.1 | 9.3 | 5.2 | 4.5 | ≤5 | 1,945 | 98,098 | 0.0 |
| 2016 | 1.9 | 1.1 | 1.7 | 5.6 | 4.9 | ≤5 | 1,413 | 94,540 | 0.0 |

* Bloomberg U.S. Municipal Bond Blended Index.

This Index is a blend of the returns of the Bloomberg Baa Municipal Bond Index, a sub-index of the Bloomberg Municipal Bond Index, and the return of the Bloomberg High Yield Municipal Bond Index, weighted in the same proportion as the market value of each Index. For comparison purposes, returns of the Market Value Weighted Blended Bloomberg Municipal Baa/High Yield Bond Index are calculated for a time period during which the Fund's returns are available (i.e., since the Fund's inception to year end). Benchmarks are provided for illustrative purposes only. There are no known published comparable benchmarks or indices for the investment strategies of the Fund.

The Municipal Credit Opportunities Composite includes all discretionary municipal credit opportunities accounts managed with similar objectives for a full month, including those accounts no longer with the firm. The strategy may invest in municipal bonds in any rating category. This strategy has the ability to borrow and reinvest the proceeds to leverage the portfolio depending upon client guidelines. Gross-of-fees composite performance reflects reinvestment of income and is a market-weighted average of the time-weighted return, before advisory fees and related expenses, of each account for the period since inception. Net-of-fees composite performance is derived by reducing the monthly gross-of-fees composite returns by 0.0625%, our highest monthly fee. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Performance is expressed in US Dollars. All portfolios in the composite are fee-paying portfolios. There can be no assurance that the rate of return for any account within a composite will be the same as that of the composite presented. **Past performance is not indicative of future results.**

The composite inception date was 4/1/09 and the composite period from inception through 6/30/09 was developed at Mariner Municipal Managers, LLC. Substantially all the investment decision-makers from Mariner Municipal Managers, LLC became employed by MacKay Shields LLC on 7/1/09. The decision-making group and process within Mariner Municipal Managers, LLC continues intact and independent within MacKay Shields. This group and process are responsible for the composite performance; therefore the current composite performance is linked to the prior Mariner Municipal Managers composite history. The composite creation date at MacKay Shields was 7/1/09.

MacKay Shields claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. For GIPS purposes, the firm includes assets managed by MacKay Shields LLC and the Emerging Market Debt investment team of its affiliate, NYL Investments UK LLP, who have been appointed as officers of MacKay Shields. MacKay Shields LLC is an SEC registered investment advisor. The firm has been independently verified from January 1, 1988 through December 31, 2025. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. A list including composite descriptions, pooled fund descriptions for limited distribution pooled funds, and broad distribution funds is available upon request. Leverage can be used up to 0.5x in this composite. This presented index is a blend of the returns of the Bloomberg Baa Municipal Bond Index, a sub-index of the Bloomberg Municipal Bond Index, and the return of the Bloomberg High Yield Municipal Bond Index, weighted in the same proportion as the market value of each index. The blended index is rebalanced monthly. Indices do not incur management fees, transaction costs or other operating expenses. Investments cannot be made directly into an index. The Market Value Weighted Blended Bloomberg Municipal Bond Index is referred to for comparative purposes only and is not intended to parallel the risk or investment style of the portfolios in the MacKay Shields Composite. Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns and the index returns over the preceding 36-month period.

## DISCLOSURES

### Municipal High Yield: Composite Disclosures

| Period | MacKay Shields Composite Gross Returns (%) | MacKay Shields Composite Net Returns (%) | Bloomberg U.S. Muni Bond Index* Returns (%) | Blended Bloomberg Muni Bond Index** Returns (%) | Composite 3-Yr St Dev (%) | Bloomberg U.S. Muni Bond Index* 3-Yr St Dev (%) | Blended Bloomberg Muni Bond Index** 3-Yr St Dev (%) | No. of Accts. | Composite Assets ($Mil) | Firm Assets ($Mil) | Internal Dispersion (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2026 (Thru 6/30) | 4.4 | 4.0 | 2.3 | 3.4 | 7.4 | 5.5 | 6.1 | ≤5 | 14,167 | 162,156 | N/A |
| 2025 | 3.9 | 3.1 | 4.2 | 3.2 | 7.8 | 5.8 | 6.5 | ≤5 | 13,144 | 158,884 | 1.5 |
| 2024 | 5.4 | 4.6 | 1.1 | 4.2 | 10.8 | 7.6 | 8.8 | ≤5 | 13,126 | 150,568 | 1.0 |
| 2023 | 10 | 9.2 | 6.4 | 8.1 | 10.6 | 7.4 | 8.7 | ≤5 | 11,346 | 139,163 | 1.1 |
| 2022 | -13.6 | -14.3 | -8.5 | -11.3 | 10.5 | 6.4 | 8.9 | 6 | 10,098 | 128,584 | 0.9 |
| 2021 | 7.3 | 6.5 | 1.5 | 5.2 | 7.1 | 3.9 | 6.5 | ≤5 | 15,321 | 163,646 | 2.1 |
| 2020 | 6.3 | 5.5 | 5.2 | 5.1 | 7.0 | 4.0 | 6.5 | ≤5 | 11,389 | 153,995 | 2.6 |
| 2019 | 10 | 9.2 | 7.5 | 9.4 | 2.7 | 2.4 | 2.7 | 7 | 8,846 | 131,978 | 0.5 |
| 2018 | 4.7 | 3.9 | 1.3 | 3.4 | 4.2 | 3.4 | 4.2 | 6 | 6,450 | 107,467 | 0.5 |
| 2017 | 9.8 | 9.0 | 5.4 | 8.0 | 4.3 | 3.3 | 4.4 | ≤5 | 4,410 | 98,098 | 1.6 |
| 2016 | 2.1 | 1.4 | 0.2 | 1.9 | 4.7 | 3.4 | 4.7 | ≤5 | 2,805 | 94,540 | 0.5 |

* Bloomberg Municipal Bond Index.

** Blended Bloomberg Municipal Bond Index.

The Municipal High Yield Composite includes all discretionary municipal high yield accounts managed with similar objectives for a full month, including those accounts no longer with the firm. This strategy invests a substantial portion of its assets in municipal bonds that are rated below investment grade or, if unrated, that we determine to be of comparable quality. The Municipal High Yield Composite was formerly called the Municipal High Yield Fund Composite. Gross-of-fees composite performance reflects reinvestment of income and is a market-weighted average of the time-weighted return, before advisory fees and related expenses, of each account for the period since inception. Net-of-fees composite performance is derived by reducing the monthly gross-of-fees composite by 0.0625%, our highest monthly fee. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Performance is expressed in US Dollars. The composite creation and inception date is 4/1/10. All portfolios in the composite are fee-paying portfolios. There can be no assurance that the rate of return for any account within a composite will be the same as that of the composite presented. **Past performance is not indicative of future results.**

MacKay Shields claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. For GIPS purposes, the firm includes assets managed by MacKay Shields LLC and the Emerging Market Debt investment team of its affiliate, NYL Investments UK LLP, who have been appointed as officers of MacKay Shields. MacKay Shields LLC is an SEC registered investment advisor. The firm has been independently verified from January 1, 1988 through December 31, 2025. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. A list including composite descriptions, pooled fund descriptions for limited distribution pooled funds, and broad distribution funds is available upon request. The primary benchmark for this composite is the Bloomberg Municipal Bond Index. The Blended Bloomberg Municipal Bond Index is shown as additional information. The blended index is composed of 60% Bloomberg Municipal High Yield Index and 40% Bloomberg Municipal Bond Index, rebalanced monthly. Indices do not incur management fees, transaction costs or other operating expenses. Investments cannot be made directly into an index. The presented indices are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolio in the MacKay Shields Composite. Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite gross returns and the index returns over the preceding 36-month period.

## DISCLOSURES

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## COMPARISONS TO AN INDEX

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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