

# Taxable Municipals: The Missing Core

From MacKay Municipal Managers™

## The missing core: why taxable municipals deserve strategic attention amid uncertainty

In today's environment of policy recalibration, macroeconomic divergence, and rising fiscal uncertainty, institutional investors are re-evaluating traditional anchors of portfolio resilience.

For allocators focused on navigating an uncertain investment landscape, this asset class emerges as a forward-looking allocation decision grounded in quality, transparency, and resilience.

Taxable municipals are not just a yield enhancer; they are a scalable, resilient, and under-allocated strategic solution—purpose-built for navigating the new fixed income regime.

### Strong credit quality grounded in budgetary discipline

Municipal issuers are legally required to balance budgets, creating structural fiscal prudence and therefore greater ratings stability over time.

78% of U.S. taxable municipal bonds outstanding are AA-rated or higher, while only about 9% of the global corporate investment grade bond market is AA rated.<sup>1</sup>

### Attractive yield efficiency

More compelling yield than Treasuries, comparable to corporates but with significantly lower credit risk.

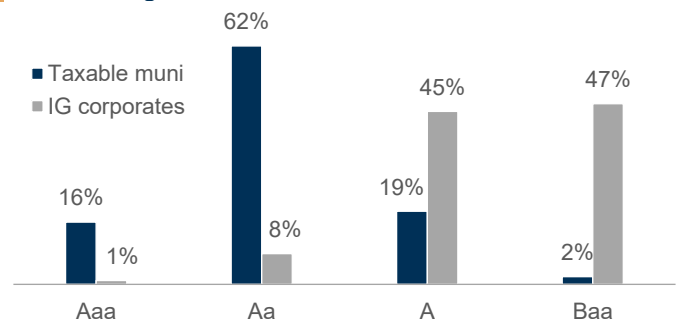
### Proven downside mitigation

With a 10-year cumulative default rate of just 0.05%<sup>2</sup>, far below the 1.06% observed in global investment grade corporates, municipals have demonstrated consistent stability—even through stress cycles. While Treasuries have no credit default risk, their mark-to-market drawdown potential is significant.

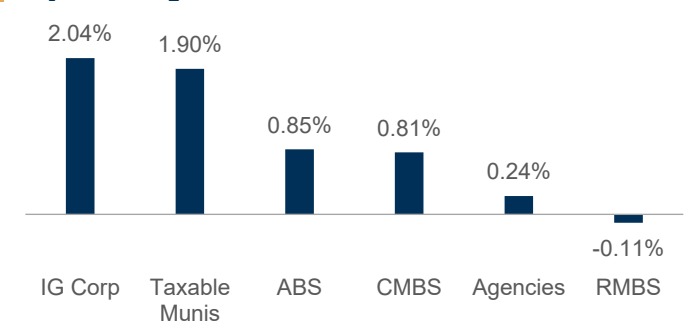
### Compelling returns

Over the past 10 years, Taxable municipals have generated positive excess returns to most similarly rated core investment grade fixed income asset classes.<sup>3</sup>

### Credit rating distribution<sup>1</sup>



### 10-year average excess return vs. US Gov<sup>3</sup>



1. Source: ICE Data, Bloomberg. Data as of December 31, 2025. Taxable Municipals - ICE BofA Broad US Taxable Municipal Securities Index (TXMB). Global Corporates - Bloomberg Global Aggregate Corporates Index.

2. Source: Moody's Investors Service, Average Cumulative Default Rates for Municipals and Global Corporates 10 years after issuance from 1970-2023.

3. Source: ICE Data. Data as of December 31, 2025. Agencies: ICE BofA U.S. Agency Index; RMBS: ICE BofA U.S. Mortgage Backed Securities Index; CMBS: ICE BofA U.S. Treasury Index; BofA U.S. Fixed Rate CMBS Index; ABS: ICE BofA U.S. Fixed Rate Asset Backed Securities Index; IG Corps: U.S. Corp Master Index; Taxable Munis: ICE BofA Broad US Taxable Municipal Securities Index.

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