MUNICIPALS

Institutional Municipals, Reimagined

The Case for Flexible Municipal Strategies

New York Life Investment Management | MacKay Shields

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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 limited partnership (LP) 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 Limited Partnership 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.
- Designed to seek attractive after-tax total returns.
- Typically offer either monthly or quarterly liquidity with advance written notice requirements.
- Similar tax flow-through as separately managed accounts (SMAs) via Schedule K-1.[2]

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.

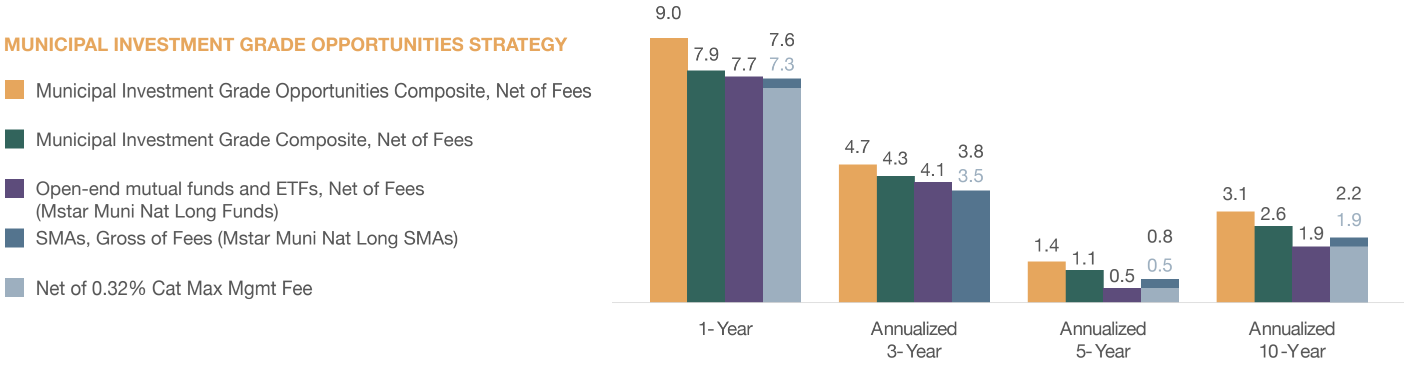
Flexible LP structures can offer a differentiated complement in this context, combining a broader investment mandate with the structural features that active, research-driven managers rely on to generate alpha. Actively managed strategies, including LP strategies, may have certain advantages, supported by intentional curve positioning, access to structurally underrepresented segments, and disciplined security selection. Composite performance illustrates the cumulative effect of actively managed portfolios driven by research-driven relative value across the municipal market.

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.

2 Not to be construed as tax advice. Neither MacKay Municipal Managers nor MacKay Shields LLC advise clients on tax matters. Consult your tax advisor for further information.

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.

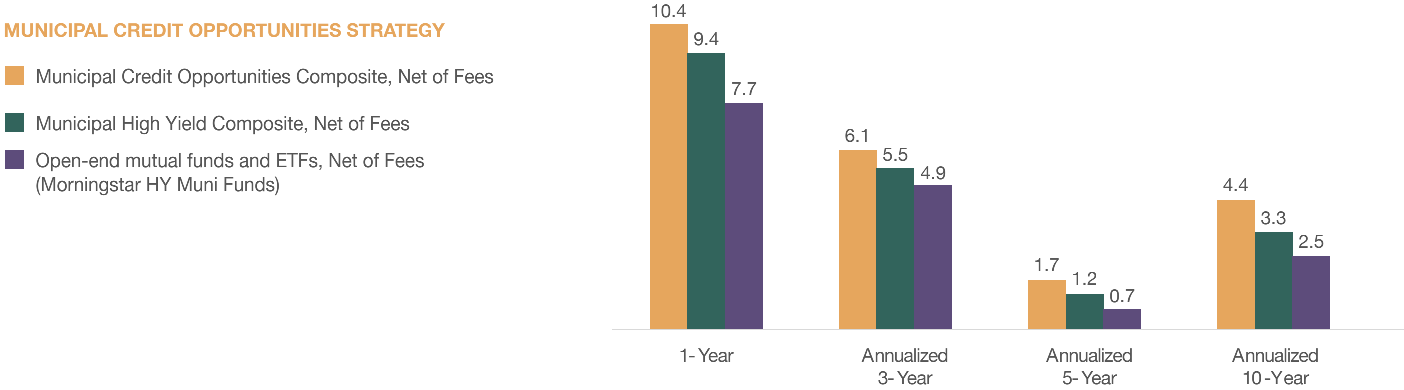
The net performance of a composite is not directly comparable to the net performance experienced by investors in a fund. Composite net returns are typically calculated by deducting a model or representative management fee, whereas fund-level returns reflect the impact of additional fees and expenses, 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

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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.

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

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.[3]

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[4], electric and natural-gas prepaid structures[5], 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.

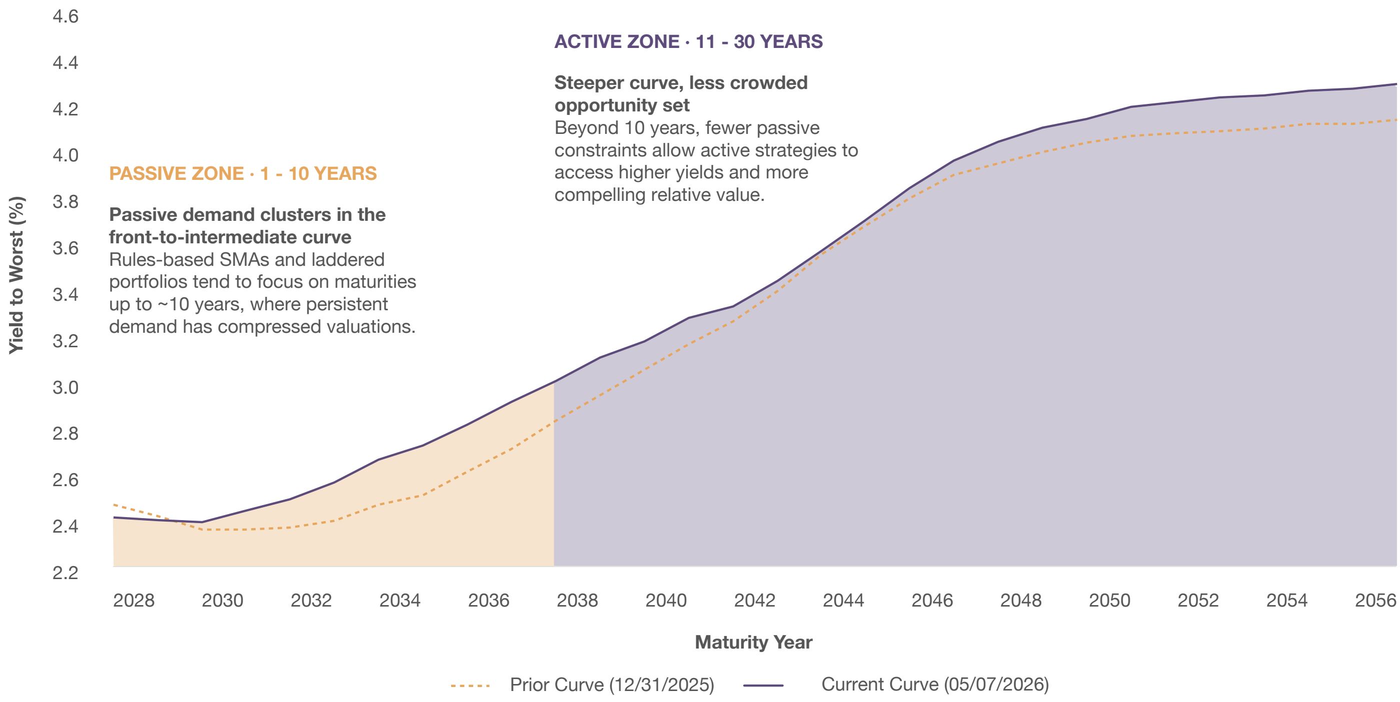
3 Source: MunicipalBonds.com – Building a Muni Bond Ladder

4 Alternative Minimum Tax (AMT) bonds are municipal bonds issued to finance certain private-purpose projects whose interest may be subject to the federal Alternative Minimum Tax, often resulting in higher yields than comparable non-AMT municipal bonds.

5 Energy prepay bonds are municipal bonds that finance long-term prepaid electricity or natural-gas supply agreements and often offer yield premiums due to their structural complexity and specialized credit analysis requirements.

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.

Structural Features Purpose-Built for Institutional Outcomes

Beyond access to overlooked segments, LP structures incorporate several structural features that may benefit institutional portfolios over a full market cycle.

Liquidity structure: The monthly subscription and monthly or quarterly redemption terms typically found in LP structures establish a more stable capital base that supports deliberate portfolio construction. Rather than navigating daily flow pressure, portfolio managers can plan around scheduled redemption windows, take a longer view of individual positions, and act as a liquidity provider when ETFs and mutual funds are forced sellers. We believe this structural feature may allow LP strategies to capture an illiquidity premium.

Periodic liquidity may also influence how managers source and evaluate opportunities.

Rather than simply reinvesting maturities into the next available ladder rung, managers can evaluate bonds based on credit quality, structure, yield, and relative value. This flexibility is particularly relevant in a market where attractive opportunities may emerge from temporary dislocations, uneven demand, or the limited buyer base for more complex structures.

Investor base: LP structures are limited to investors meeting certain income or asset thresholds.[6] LP structures, with periodic subscription and redemption terms, create a more stable capital base that enables long-term portfolio construction and opportunistic liquidity provision, we believe potentially capturing an illiquidity premium without proportionate additional risk. This relative stability supports the managers' ability ability to remain active through dislocations, which is often when active flexibility can add the most value.

6 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.

Disciplined leverage: Leverage in municipal LP structures is typically modest, and often capped at half a turn, to be deployed in short-maturity positive-carry trades. The borrowing is executed via prime brokerage facilities and tender option bond programs, with borrowed capital invested only in securities maturing in three years or less.

This short-maturity approach is designed to support incremental income without creating broad duration extension, distinguishing it from more highly levered municipal vehicles, including closed-end funds, where leverage can introduce meaningful duration risk. The position size is actively adjusted and may increase when curve dynamics make the carry trade more attractive.

Tax reporting: LP funds provide tax flow-through via Schedule K-1, broadly similar to the treatment of a separately managed account. K-1 reporting timelines for LP strategies are typically completed in late March. See appendix Understanding K-1s: A Practical Guide.[7]

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, an LP allocation can function 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 LP structures 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.

APPENDIX

Understanding K-1s: A Practical Guide

What is a K-1 (and How It Differs from a 1099)?

A Schedule K-1 (Form 1065) reports an investor's share of income, losses, deductions, and credits from a limited partnership ("LP"). Unlike a Form 1099, which reports income actually paid to you, a K-1 reports your share of the partnership's taxable activity, whether or not it was distributed.

Although municipal bond investments are generally simple from a cash flow perspective, the K-1 introduces tax concepts that can confuse even sophisticated investors.

Key Differences vs. A 1099

	1099	K-1
How income is reported	Reports cash income actually received (interest, dividends).	Reports allocations of the partnership's income and losses may not match cash distributions.
When income is taxable	Income reported is generally taxable in the year it is distributed, regardless of when it was earned by the fund.	Items retain their tax character (e.g., municipal interest stays tax exempt, capital gains remain capital gains).
Entity structure and taxation method	Mutual fund retains income within the fund structure. Investors are taxed based on the fund's distributions rather than on pass-through income.	For municipal bond LP investors, the K-1 is the mechanism through which tax exempt interest, gains/losses, and basis adjustments flow.
Basis tracking	Does not track investor basis or capital account.	Capital account and tax basis change annually, impacting long term planning and tax reporting.

7 Not to be construed as tax advice. Neither MacKay Municipal Managers nor MacKay Shields LLC advise clients on tax matters. Consult your tax advisor for further information.

1. Short-Term & Long-Term Capital Gains/Losses (K-1 Boxes 8 & 9a)[8]

Municipal bond LPs may sell bonds or have them called, producing gains or losses.

- Box 8 – Short-Term Capital Gain/Loss: Positions held ≤ 1 year
- Box 9a – Long-Term Capital Gain/Loss: Positions held > 1 year

These amounts pass through to you and are reported on Schedule D.

WHY IT MATTERS:

Losses in Boxes 8 and 9a can offset gains elsewhere in your portfolio—an important benefit for HNW/UHNW[9] investors seeking tax efficiency. Losses also reduce your partnership basis.

2. Taxable Income (K-1 Box 5)

Even in a municipal bond LP, some income is not federally tax exempt, such as:

- Market discount recognized as income
- Income from taxable municipal bonds
- Interest on cash or short term taxable instruments
- Gains on bond sales that are considered ordinary

Box 5 reports your share of this taxable interest income, which is included in ordinary income on your personal return.

3. Federal Tax-Exempt Income (K-1 Box 18a)

This captures the core value of municipal bond investing:

- Box 18a reports your allocation of federal tax-exempt interest income
- Although excluded from federal taxable income, the IRS requires it to be reported for informational and basis tracking purposes

Box 18a increases your basis even though it is excluded from federal taxable income.

4. State Tax-Exempt Income (State Schedule, Pages 3–4)

Receiving municipal bond interest for multiple states does not create a filing obligation in those states. For municipal bond interest, filing is generally determined by your state of residence.

State tax exemption depends on where the underlying bonds were issued and the investor's state of residence.

The K-1 supplement (often pages 3–4) provides a state-by-state breakdown of interest income. Your CPA uses this to determine:

- Which portion is exempt in your home state
- Which portion is taxable at the state level

Interest from bonds in your resident state is typically both federally and state tax exempt; interest from other states may only be federally exempt.

5. Item L: Tax Capital Account Analysis

Item L tracks your Tax basis capital account (your outside tax basis may differ).

COMPONENTS

- Beginning Tax Capital Account
- Capital Contributions
- Withdrawals/Distributions (this reflects the actual cash that was distributed in the tax year and may not match your full redemption amount)
- Income/Loss Allocations from all K-1 boxes
- Ending Tax Capital Account

HOW TO INTERPRET IT

- Withdrawals/distributions are returns of capital, not taxable income
- Income—including tax exempt interest—increases basis
- Losses reduce basis
- Your Item L ending tax basis capital approximates your adjusted cost basis, but ultimately your gain or loss upon full redemption from the LP should be determined utilizing your outside tax basis

6. How Withdrawals and LP Performance Affect an Investor's Cost Basis (Illustrative Example)

1. An investor contributes $100,000 to one of our municipal bond LPs on January 1
2. The investor elects the 5% annualized withdrawal option
3. During the year, the LP generates a 10% total return

HOW DOES THIS AFFECT THE INVESTOR'S TAX BASIS?

Because withdrawals from a partnership are treated as returns of capital, the investor's cost basis decreases by the amount withdrawn. With a 5% withdrawal option, the investor receives $5,000, reducing basis from $100,000 to $95,000.

The LP's performance return does not directly increase or decrease basis. Instead, the K-1 breaks the return into tax components, each of which affects basis differently.

8 This illustration does not constitute tax advice. The information contained herein should not be used as a substitute for advice from your tax advisor. Neither MacKay Municipal Managers nor MacKay Shields LLC advise clients on tax matters. Consult your tax advisor for further information.

9 High-Net-Worth (HNW) and Ultra-High-Net-Worth (UHNW) investors are individuals with at least $1mm and $30mm, respectively, in investible assets, excluding their primary residence.

7. How the K-1 Components Adjust Basis

Each year, the Schedule K-1 will report items that increase or decrease the investor's tax basis:

ITEMS THAT INCREASE BASIS

- Capital contributed
- Tax exempt municipal interest allocated to the investor (Box 18a)
- Taxable municipal interest or other ordinary income (Box 5)
- Realized capital gains, short-term or long-term (Boxes 8 and 9a)

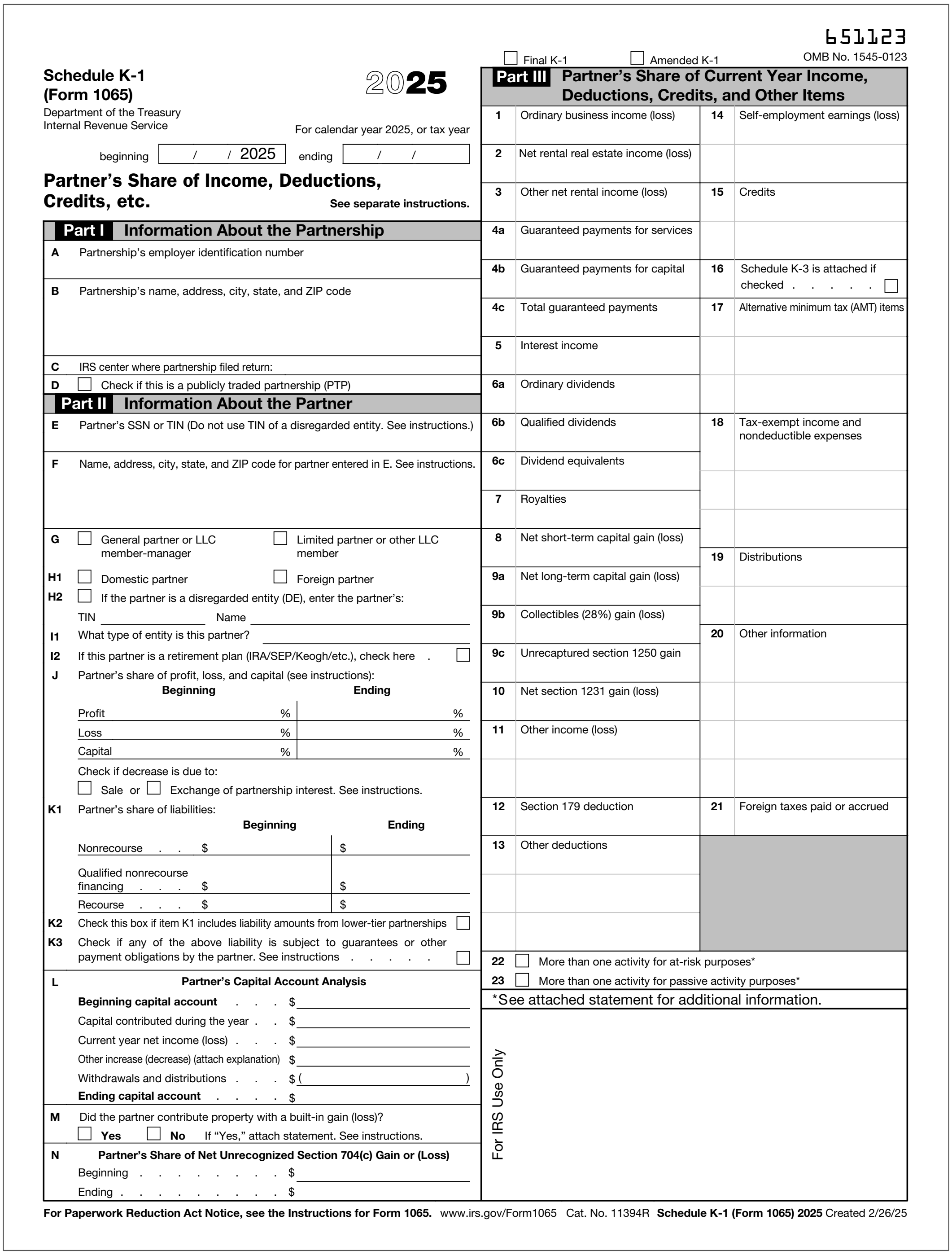
ITEMS THAT DECREASE BASIS

- Realized capital losses, short-term or long-term (Boxes 8 and 9a)
- Withdrawals/distributions, including the 5% annualized withdrawal elected by an investor
- Other deductions (Box 13)
- Non-deductible expenses (Box 18C)

ITEMS WITH NO IMPACT ON BASIS

Unrealized gains or losses—these affect the LP's NAV but do not flow through to the K-1 and therefore do not affect basis.

Figure 4: 2025 Schedule K-1 (Form 1065) - Internal Revenue Service



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☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1065) 2025
Department of the Treasury
Internal Revenue Service
For calendar year 2025, or tax year
beginning / / 2025 ending / /

Partner's Share of Income, Deductions, Credits, etc. See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
B Partnership's name, address, city, state, and ZIP code
C IRS center where partnership filed return:
D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
G ☐ General partner or LLC member-manager ☐ Limited partner or other LLC member
H1 ☐ Domestic partner ☐ Foreign partner
H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:
TIN Name
I1 What type of entity is this partner?
I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐
J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

Check if decrease is due to:
☐ Sale or ☐ Exchange of partnership interest. See instructions.

K1 Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	$	$
Qualified nonrecourse financing	$	$
Recourse	$	$

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships ☐
K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions ☐

L **Partner's Capital Account Analysis**
Beginning capital account $
Capital contributed during the year $
Current year net income (loss) $
Other increase (decrease) (attach explanation) $
Withdrawals and distributions $ ( )
Ending capital account $

M Did the partner contribute property with a built-in gain (loss)?
☐ **Yes** ☐ **No** If "Yes," attach statement. See instructions.

N **Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)**
Beginning $
Ending $

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss)
2 Net rental real estate income (loss)
3 Other net rental income (loss)
4a Guaranteed payments for services
4b Guaranteed payments for capital
4c Total guaranteed payments
5 Interest income
6a Ordinary dividends
6b Qualified dividends
6c Dividend equivalents
7 Royalties
8 Net short-term capital gain (loss)
9a Net long-term capital gain (loss)
9b Collectibles (28%) gain (loss)
9c Unrecaptured section 1250 gain
10 Net section 1231 gain (loss)
11 Other income (loss)
12 Section 179 deduction
13 Other deductions
14 Self-employment earnings (loss)
15 Credits
16 Schedule K-3 is attached if checked ☐
17 Alternative minimum tax (AMT) items
18 Tax-exempt income and nondeductible expenses
19 Distributions
20 Other information
21 Foreign taxes paid or accrued
22 ☐ More than one activity for at-risk purposes*
23 ☐ More than one activity for passive activity purposes*
*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R **Schedule K-1 (Form 1065) 2025** Created 2/26/25

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.**

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. 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 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

Municipal Credit 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)	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.**

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DISCLOSURES

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SOURCE INFORMATION

The following sources may be referred to in this paper:

Morningstar Muni National Long Category: Muni national long portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of more than 6.0 years (or average maturities of more than 12 years).

Morningstar High Yield Muni Category: High-yield muni portfolios typically invest a substantial portion of assets in high-income municipal securities that are not rated or that are rated at the level of or below BBB (considered high yield within the municipal-bond industry) by a major rating agency such as S&P or Moody's.

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Investing in below investment grade securities may carry a greater risk of nonpayment of interest or principal than higher-rated bonds.

For more information
nylim.com
mackayshields.com

NEW YORK LIFE Investment Management

MACKAY SHIELDS

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