MacKay Municipal Managers™
MMM Weekly Monitor

MMM
OCTOBER 27, 2026

September Was the Fright, October Is the Treat

KEY TAKEAWAYS

- October's Sweet Recovery
- Understanding Yield Behind the Income
- Election Musings

Relative Performance[1]

September delivered one of the scariest selloffs we've seen in years, October has been a very different story. Municipals continued to recover last week, outperforming Treasuries across most of the yield curve, as investor demand strengthened following the higher yields available in recent weeks..

AAA BVAL yields declined 23 bps in 2s, nearly 23 bps in 5s, 21.5 bps in 10s, and roughly 12 bps in 30s. Treasuries also rallied, but the move was considerably more muted through intermediate maturities, with yields falling 6 bps in 2s, 11 bps in 5s, and roughly 13–15 bps in 10s and 30s.

The relative performance story was equally impressive. Muni-to-Treasury ratios richened sharply, with the 2-year ratio declining 4.6 points to 61.77%, the 5-year falling nearly 4 points to 63.79%, and the 10-year moving 3.2 points lower to 70.80%. The long end was comparatively quiet, with the 30-year ratio still sitting above 92%, leaving some relative value for investors willing to venture further out the curve.[1]

What's remarkable is just how quickly the market has changed costumes. Over the past two weeks, AAA municipal yields have declined roughly 45 bps in 2s and 5s and nearly 44 bps in 10s. That's a significant reversal from September, when investors were understandably spooked by inflation concerns, shifting Fed expectations, and a historically heavy supply calendar. [1]

But here's the real trick: while investors were waiting for the market to feel safe again, a meaningful portion of the yield opportunity was already disappearing.

We've spent much of the year reminding investors that volatility creates opportunity, but those windows rarely stay open indefinitely. September's selloff pushed absolute yields and tax-equivalent income to levels we hadn't consistently seen in years. October has demonstrated how quickly buyers can return once valuations become compelling.

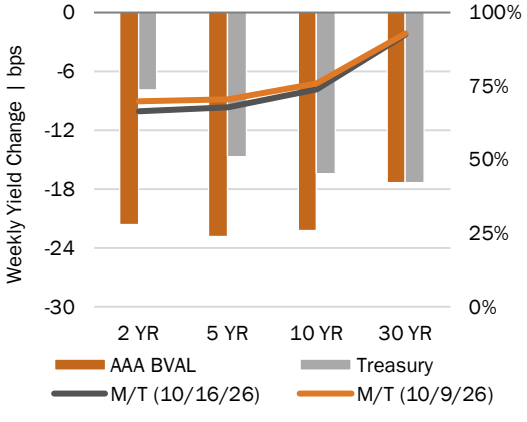
1. Source: Bloomberg

FIGURE 1: INDEX PERFORMANCE

	MTD	YTD	2025
Muni Bond 5-Year	2.60%	0.03%	5.03%
Muni Bond 10-Year	3.62%	-1.60%	5.92%
Muni Bond 15-Year	3.95%	-2.44%	5.31%
Muni Long Bond	3.36%	-1.83%	1.95%
Muni Managed Money	3.35%	-1.64%	3.94%

Data as of October 23, 2026.
Source: Bloomberg

FIGURE 2: MUNIS OUTPERFORMED



Data as of October 23, 2026. Spot Muni, Spot AAA rates
AAA B VAL: AAA Municipal yield curve
M/T: Municipal/Treasury Yield Ratio - Bloomberg Municipal Bond Index yield / Bloomberg US Treasury Index yield.
Source: Bloomberg

Relative Performance (continued)

And while the recovery has been sharp, the opportunity hasn't vanished entirely. With 30-year ratios still above 92% and attractive tax-exempt income available further out the curve, there are still treats to be found for investors willing to look beyond the front end.

The lesson heading into Halloween? Don't let the ghosts of September's volatility haunt your portfolio decisions. We believe the bigger risk may be waiting until all the treats are gone.

Market Technicals

UNDERSTANDING THE YIELD BEHIND THE INCOME

During a selloff, market YTW can adjust immediately, book yield changes through reinvestment, and shareholder distributions may respond over time. These measures describe different stages of how higher market yields work their way into a portfolio. Understanding that sequence helps explain why an improving investment opportunity may not immediately appear in a client's monthly payment.

When municipal rates rise sharply, investors understandably focus on the decline in their account value. But the same repricing also changes the return opportunity ahead. Looking only at distribution yield can miss that change.

Distribution yield helps answer a practical question: how much has the fund been paying shareholders relative to its share price? Depending on the calculation, it reflects either historical distributions or an annualized recent payment. Those payments matter for clients funding spending needs, but they may not yet reflect the yields available after a selloff. Distribution yield can also rise simply because the fund's net asset value has declined, even if the dollar payment is unchanged.

Yield to worst helps explain what today's prices offer. It incorporates both coupon payments and the difference between a bond's current price and its redemption value, using the lowest yield across applicable call dates and maturity, assuming no default. For bonds trading below par, part of that prospective return comes from price appreciation toward redemption value rather than cash income paid along the way. That is why YTW should not be presented as the distribution rate a shareholder will receive.

Book yield adds another dimension. It reflects the yields embedded in the portfolio's acquisition costs and accounting treatment, including premium amortization and discount accretion. A decline in an existing bond's market price does not automatically increase its book yield. It does, however, generally increase its market YTW.

This distinction matters when we tell clients we are "resetting book yields higher." We are describing portfolio activity: reinvesting cash flows and selectively replacing lower-book-yield holdings with purchases at higher yields. As those purchases enter the portfolio, they can improve its underlying earnings potential. Simply marking existing holdings to lower prices does not accomplish that reset. Realizing a loss to reinvest at a higher yield also requires evaluating the full economic tradeoff; a higher book yield alone does not erase the loss.

For client conversations, distribution yield remains useful for discussing cash payments. However, **YTW deserves a central role when evaluating the investment opportunity available at current prices**, particularly after a sharp repricing. The opportunity created by higher rates can therefore become visible in YTW before it appears in a client's monthly distribution.

Questions from the Field

Q With the midterm elections approaching, should municipal investors be concerned about changes in state and local fiscal policy?

A IThe elections are worth paying attention to, but probably not for the reasons most investors assume.

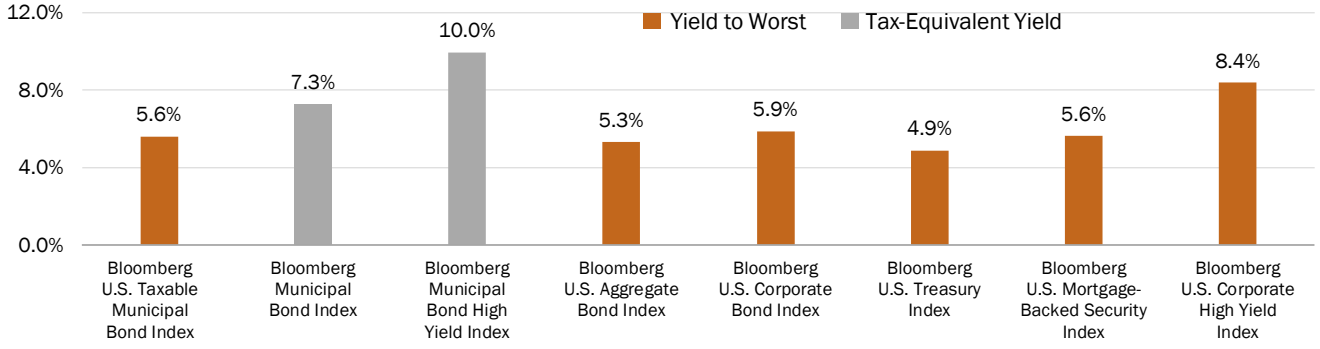
We have 36 gubernatorial races this November, and changes in political leadership can certainly influence spending priorities, tax policy, and future borrowing needs. But municipal credit doesn't typically change overnight because a different party takes office.

What interests us more is how those policy decisions eventually work their way into issuer fundamentals. State and local governments are already adjusting to a world with less federal support, higher operating costs, and growing demands on budgets. New administrations may approach those challenges differently, but the underlying financial obligations don't disappear after Election Day.

There's also a potential technical benefit. Political transitions, uncertainty around capital budgets, and higher borrowing costs could encourage some issuers to delay coming to market. After the record pace of issuance we've experienced this year, even a modest slowdown in supply could provide meaningful support for municipal valuations, particularly if investor demand remains healthy.

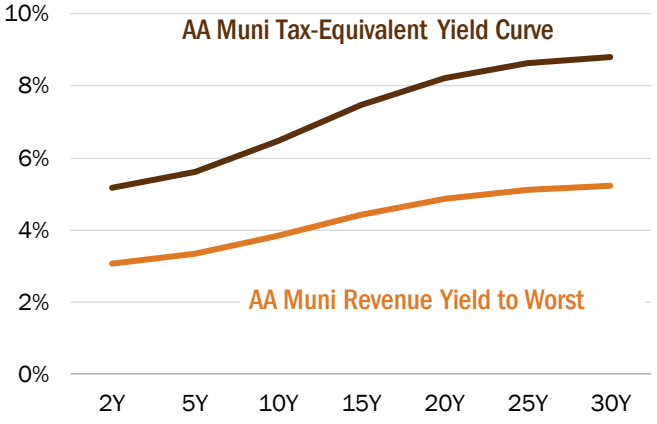
For us, the election isn't a reason to make wholesale portfolio changes. It's another reason to be selective about credit. We continue to favor issuers with durable revenue streams, financial flexibility, and less dependence on political decisions to meet their obligations.

INDEX YIELDS



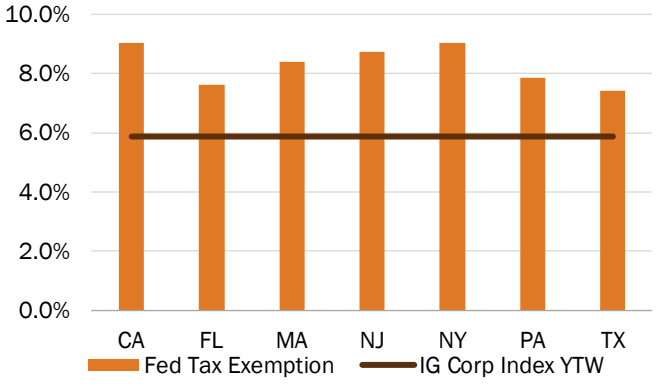
Data as of October 23, 2026
1. Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.
Source: Bloomberg

AA MUNI TAX-EQUIVALENT YIELD CURVE



Data as of October 23, 2026
1. Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.
Source: Bloomberg

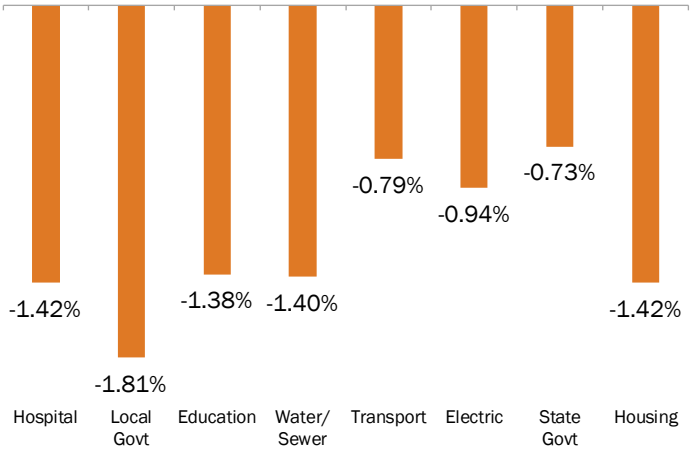
IN-STATE MUNI TAX-EQUIVALENT YTW



Data as of October 23, 2026
1. Using 40.8% federal tax rate, including 3.8% Net Investment Income Tax.
Source: Bloomberg

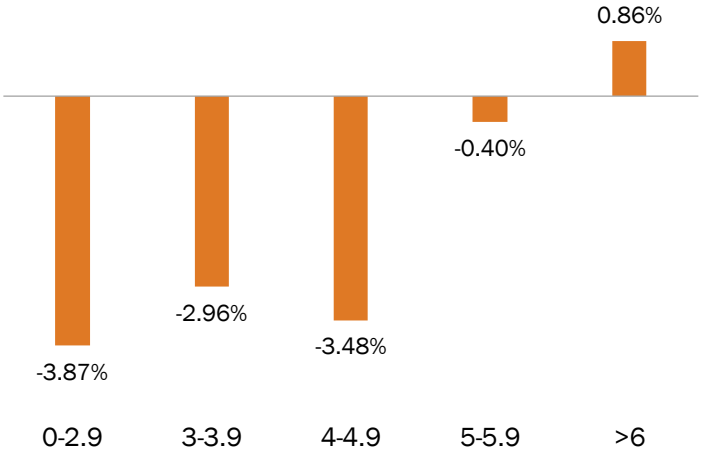
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YTD TOTAL RETURNS BY SECTOR



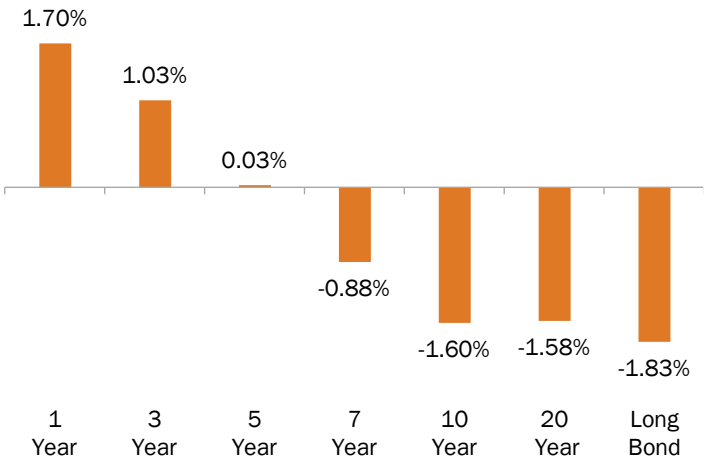
Data as of October 23, 2026
Source: Bloomberg Municipal Bond Index

YTD TOTAL RETURNS BY COUPON



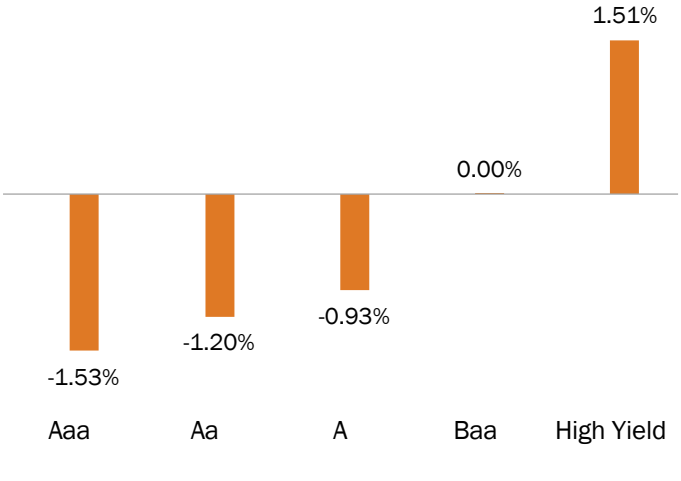
Data as of October 23, 2026
Source: Bloomberg Municipal Bond Index

YTD TOTAL RETURNS BY MATURITY



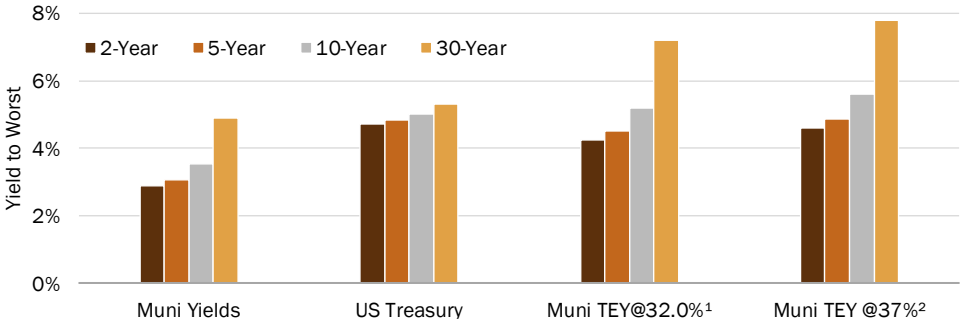
Data as of October 23, 2026
Source: Bloomberg Municipal Bond Index

YTD TOTAL RETURNS BY RATING CATEGORY



Data as of October 23, 2026
Source: Bloomberg Municipal Bond Index

TAX-ADJUSTED YIELDS OF MUNICIPAL BOND INDEX VS US TREASURY INDEX

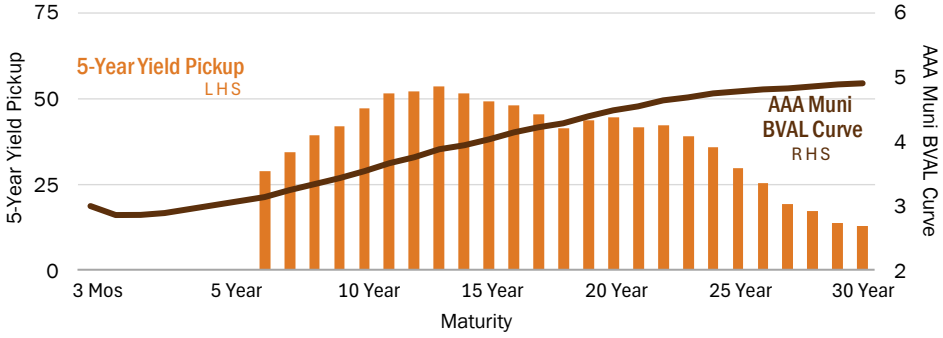


On a tax-adjusted basis munis handily lead across tenors

1. Tax Equivalent Yield is using 32% federal tax rate, including 3.8% Net Investment Income Tax.
2. Tax Equivalent Yield is using 37% federal tax rate, including 3.8% Net Investment Income Tax.

Data as of October 23, 2026.
Source: Bloomberg

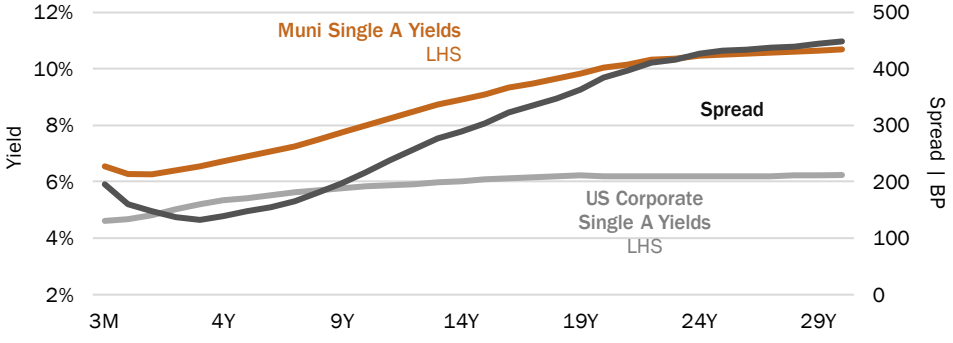
YIELD CURVE STEEPNESS



Our relative value lens focus on the area of the curve where steepness benefits returns

Data as of October 23, 2026.
Source: Bloomberg

MUNI EXCEEDS CORPORATE SPREADS

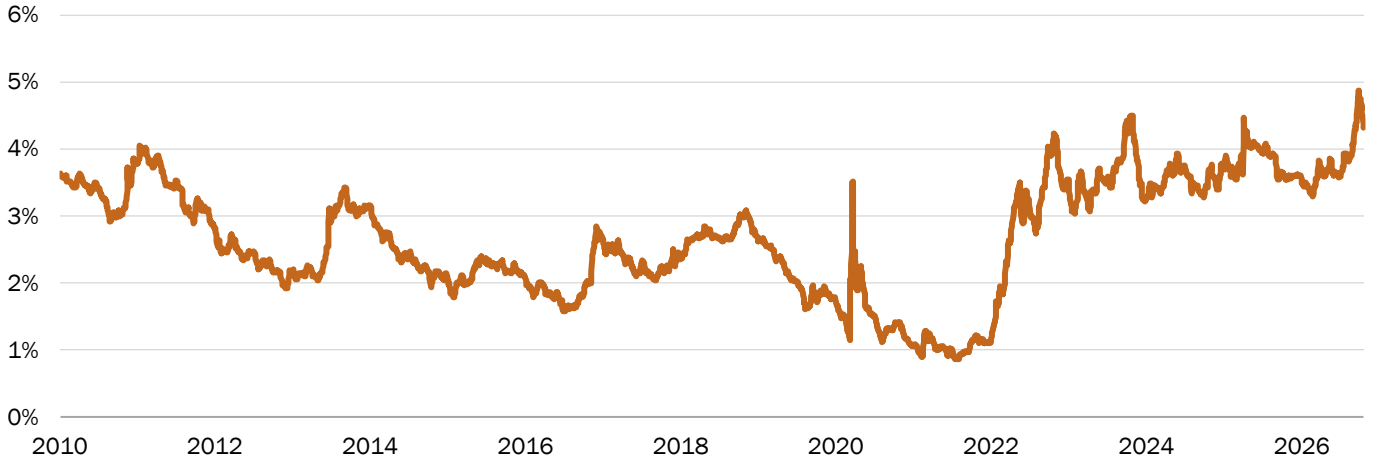


Tax equivalent munis continue to exceed corporate spread/yields

Data as of October 23, 2026.
Muni Single A Yields: Bloomberg Municipal Bond Index; US Corporate Single A Yields: Bloomberg Corporate Bond Index
Source: Bloomberg

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BLOOMBERG MUNICIPAL YIELD-TO-WORST



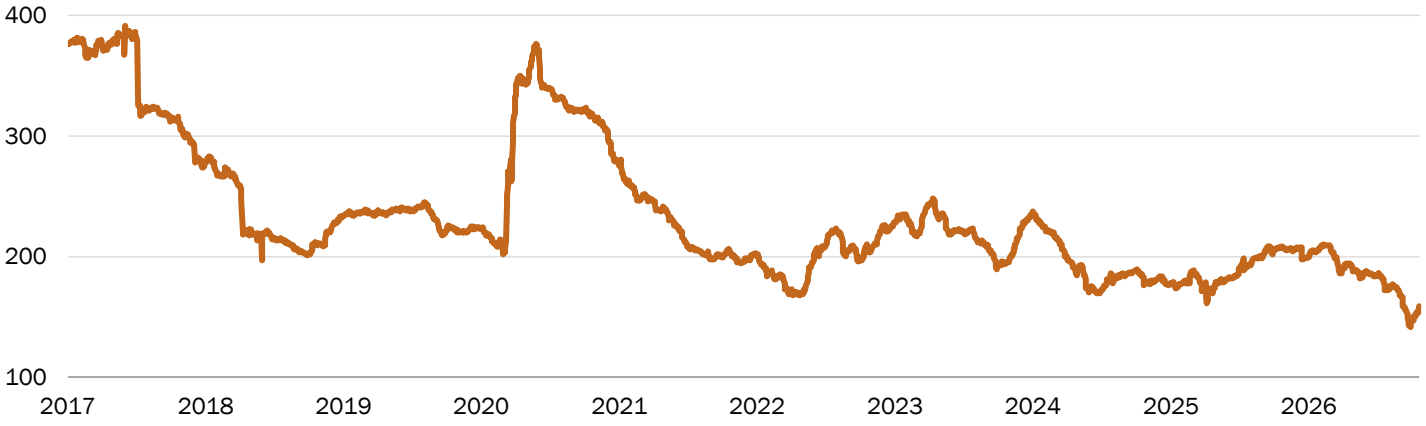
Data as of October 23, 2026
"Post GFC Average" measures the period from 1/1/2010 – 10/23/2026
Source: Bloomberg

MUNI YIELDS

Tenor	10/23/2026	10/16/2026	Change (+/-)
BLOOMBERG AAA MUNI KEY RATE YIELDS			
2 YEAR	2.89%	3.12%	-0.23%
5 YEAR	3.07%	3.30%	-0.23%
10 YEAR	3.54%	3.76%	-0.22%
30 YEAR	4.90%	5.03%	-0.12%
US TREASURY RATE YIELDS			
2 YEAR	4.69%	4.74%	-0.05%
5 YEAR	4.82%	4.89%	-0.07%
10 YEAR	5.00%	5.09%	-0.09%
30 YEAR	5.33%	5.43%	-0.10%
US TREASURY & AAA MUNI CURVE SLOPES[1]			
	2s10s	**10s30s**	2s30s
US TREASURY CURVE SLOPE	+ 31 bps	+ 33 bps	+ 64 bps
AAA MUNI CURVE SLOPE	+ 65 bps	+ 136 bps	+ 201 bps

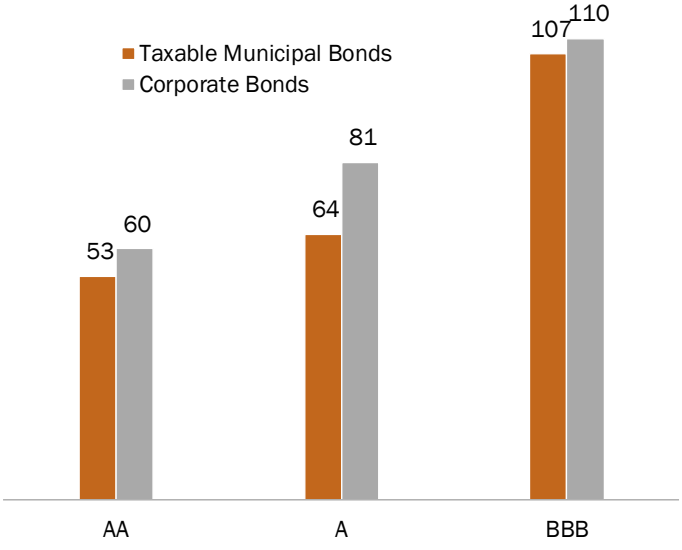
Data as of October 23, 2026
1. 2s10s – is spread between 10yr and 2yr yield; 10s30s – refers to spread between 30yr and 10yr yield; 2s30s – refers to spread between 30yr and 2yr yield
Source: Bloomberg

BLOOMBERG MUNICIPAL HIGH YIELD | AAA YIELD DIFFERENTIAL



Data as of October 23, 2026
Source: Bloomberg

TAXABLE MUNICIPAL AND CORPORATE CREDIT SPREADS



Data as of October 23, 2026
Source: Bloomberg

YIELD DIFFERENTIAL FOR NYL/MACKAY MUNICIPAL PRODUCTS

	Yield to Worst[1]		Change in YTW	TEY 10/23/26	Market Price	Duration to Worst
	10/23/26	6/30/26				
NYLIM MACKAY TAX FREE BOND FUND	4.69	4.04	0.65	7.86	97.01	7.2
NYLIM MACKAY HIGH YIELD MUNI BOND FUND	5.53	4.75	0.78	8.89	85.34	10.4
NYLIM MACKAY SHORT TERM MUNI FUND	3.70	3.32	0.38	5.95	100.77	2.4
NYLIM MACKAY STRATEGIC MUNI ALLOCATION FUND	4.52	3.75	0.77	7.60	99.47	5.4
NYLIM MACKAY U.S. INFRASTRUCTURE BOND FUND	5.58	4.88	0.70	5.62	94.88	5.6
NYLIM MACKAY MUNI ALLOCATION ETF	4.89	4.17	0.72	8.18	94.51	7.6
NYLIM MACKAY HIGH INCOME ETF	6.14*	--	--	10.21	89.60	10.1
NYLIM MACKAY MUNI INSURED ETF	4.79	4.13	0.66	8.10	96.98	7.8
NYLIM MACKAY MUNI INTERMEDIATE ETF	4.41	3.68	0.73	7.44	100.91	5.5
NYLIM MACKAY MUNI SHORT DURATION ETF	3.92	3.49	0.43	6.34	100.72	2.4
NYLIM MACKAY CALIFORNIA MUNI INTERMEDIATE ETF	4.10	3.36	0.74	6.92	102.02	5.6
NYLIM MACKAY CALIFORNIA MUNI FUND	4.59	3.79	0.80	7.66	100.19	6.7
NYLIM MACKAY NEW YORK MUNI FUND	4.88	4.36	0.52	8.07	93.59	8.5
NYLIM MACKAY ARIZONA MUNI FUND	4.40	3.45	0.95	7.38	99.21	5.7
NYLIM MACKAY COLORADO MUNI FUND	4.38	3.63	0.75	7.34	100.64	5.6
NYLIM MACKAY OREGON MUNI FUND	4.13	3.35	0.78	6.93	100.20	5.2
NYLIM MACKAY UTAH MUNI FUND	4.61	3.84	0.77	7.73	98.29	5.7
NYLIM MACKAY MUNI INCOME OPPORTUNITIES FUND	5.89	4.93	0.96	9.55	96.06	6.8
NYLIM MACKAY DEFINED TERM MUNI OPPORTUNITIES FUND	6.79	4.78	2.01	11.25	98.61	7.9

*5.85 when including cash (as fund is in ramp up, yield excludes cash and VRDN exposures)
Data as of October 23, 2026
Source: MacKay Shields

Click on the Fund Name to access current information about the fund , which includes the prospectus, investment objectives, performance, risk, and other essential information. Returns represent past performance, which is no guarantee of future results. Current performance may be lower or higher. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Visit https://www.nylim.com/investment-products for the most recent month-end performance.

1. Yield to Worst (YTW) is the lowest potential yield that can be received on a bond without issuer default, assuming the bond is called, prepaid or otherwise retired at the earliest permitted date. Fund YTW reflects the yield to worst of the securities held in the portfolio. Tax-Equivalent YTW represents the taxable yield required to equal the stated YTW after federal income taxes, assuming a federal income tax rate of [XX.XX%], and will vary based on an investor's tax rate and individual circumstances. State and local taxes are not reflected unless otherwise indicated. YTW and Tax-Equivalent YTW are portfolio characteristics, are not guaranteed, and do not represent a Fund's distribution yield, SEC yield, total return or shareholder return.

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DEFINITION OF TERMS

Option-Adjusted Spread

The option-adjusted spread (OAS) measures the spread between a bond's rate and the risk-free rate, while adjusting for any embedded options like callables or mortgage-backed securities.

Standard Deviation

Standard deviation is a statistical measurement that looks at how far discrete points in a dataset are dispersed from the mean of that set. It is calculated as the square root of the variance.

Tax Equivalent Yield

The tax-equivalent yield is the return a taxable bond needs to equal the yield on a comparable tax-exempt municipal bond. Investors use this calculation to compare the returns between a tax-free investment and a taxable alternative.

Tax Equivalent Yield to Worst

Tax Equivalent YTW is calculated by dividing the tax-exempt yield by one minus the marginal income tax. this is used to compare YTW on a tax-exempt investment to a taxable investment.

DEFINITION OF TERMS (CONT'D)

Volatility

Volatility is a measurement of how varied the returns of a given security or market index are over time. It is often measured from either the standard deviation or variance between those returns. In most cases, the higher the volatility, the riskier the security.

Yield to Worst

Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures. YTW helps investors manage risks and may assist them in meeting specific income requirements even in adverse scenarios.

Additional Yield Definition

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

INDEX DESCRIPTIONS

Bloomberg U.S. Taxable Municipal Bond Index

The Bloomberg U.S. Taxable Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term taxable bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies if all three rate the bond: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate and must be at least one year from their maturity date. Remarketed issues (unless converted to fixed rate), bonds with floating rates, and derivatives, are excluded from the benchmark.

Bloomberg Municipal AMT index

The Bloomberg Municipal AMT index refers to a specific Bloomberg municipal bond index that includes bonds subject to the Alternative Minimum Tax (AMT). Unlike most municipal bond indices, which exclude AMT-subject securities, these indices contain bonds that typically offer higher yields to individuals who are subject to the AMT.

Muni IG AMT ex Territories Index

The Muni IG ex. AMT and ex Territories Index is the Bloomberg Municipal Bond Index excluding AMT and US. Territory exposure.

INDEX DESCRIPTIONS (CONT'D)

Bloomberg Municipal Bond Index
A rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a date-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and pre-refunded bonds. Most of the index has historical data to January 1980. In addition, sub-indices have been created based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980.

Bloomberg 5-Year Muni Index
The Bloomberg 5 Year Municipal Bond Index is a capitalization weighted bond index created by Bloomberg intended to be representative of major municipal bonds of all quality ratings with an average maturity of approximately five years.

Morningstar U.S. Active Fund Muni National Intermediate
The Morningstar U.S. Active Fund Muni National Intermediate category contains mutual funds and exchange-traded funds (ETFs) that primarily invest in investment-grade municipal bonds issued by state and local governments with durations typically ranging between 4.5 and 7 years. Because they are actively managed, the fund managers dynamically adjust credit exposure, interest rate sensitivity, and yield curve positioning rather than tracking a static index.

Morningstar U.S. Passive Fund Muni National Intermediate
The Morningstar U.S. Passive Fund Muni National Intermediate category includes intermediate-term national municipal bond portfolios that invest in tax-exempt debt issued by state and local governments. Passive options and index ETFs in this group track broad municipal indexes to offer low-cost, tax-free income with moderate interest-rate risk.

ADDITIONAL DISCLOSURES

Investments in municipal securities are subject to market, interest-rate, credit and liquidity risks. Bond values generally decline as interest rates rise, and investors may lose money.

Before investing, investors should carefully consider the investment objectives, risks, charges, and expenses of the investment company. This and other important information are contained in the prospectus and, if available, the summary prospectus, which may be obtained by visiting https://dfinview.com/NYLIM or by contacting your financial professional. Investors should read the prospectus and, if available, the summary prospectus carefully before investing.

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