

Munis Find Additional Ways To Become More Attractive

KEY TAKEAWAYS

- Repricing Train Still on Tracks
- Steeper Than Treasuries Does Not Necessarily Mean Historically Steep
- Is the Muni Opportunity Just Based on a Bull Run?

Relative Performance¹

Last week was a major repricing event for municipals.

AAA BVAL yields rose 45 bps in 2s, 39 bps in 5s, 32 bps in 10s, and 22 bps in 30s. Treasuries also sold off, but the move was much smaller at the front end and more comparable further out the curve, with yields higher by roughly 16 bps in 2s, 22 bps in 5s, 27 bps in 10s, and 25 bps in 30s.¹

The result was a dramatic cheapening in muni-to-Treasury ratios. The 2-year ratio jumped more than 9 points to 71.46%, the 5-year widened nearly 7 points to 73.70%, and the 10-year moved above 78.8%. Even the long end, where the relative move was more muted, cheapened to 93.64%.¹

That is a very different market than we were looking at just a few weeks ago.

The front end is where the reset was most violent. Municipal yields rose far more than Treasuries in 2s and 5s, which tells you this was not simply a macro rates move. There was a meaningful muni-specific technical component layered on top of the broader Treasury selloff.

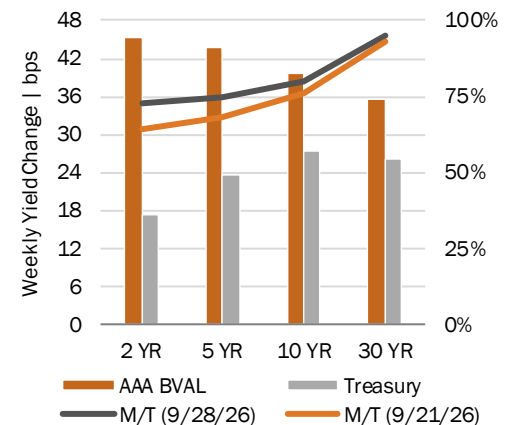
From a relative-value perspective, though, the result is hard to ignore. A 10-year ratio near 79% and a 30-year ratio above 93% materially improve the taxable comparison, while the front end has gone from relatively rich to much more competitive in a matter of days

FIGURE 1: INDEX PERFORMANCE

	MTD	YTD	2025
Muni Bond 5-Year	-2.97%	-2.31%	5.03%
Muni Bond 10-Year	-3.99%	-4.61%	5.92%
Muni Bond 15-Year	-4.42%	-5.57%	5.31%
Muni Long Bond	-4.69%	-4.05%	1.95%
Muni Managed Money	-3.95%	-4.33%	3.94%

Data as of September 28, 2026.
Source: Bloomberg

FIGURE 2: MUNIS UNDERPERFORMED



Data as of September 28, 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

1. Source: Bloomberg

Market Technicals

Recent municipal-market discussions have focused heavily on the steepness of the municipal 10s/30s curve relative to the Treasury curve. That comparison is directionally accurate, but it requires context: municipals look particularly steep today partly because the Treasury curve is exceptionally flat.

The more pronounced municipal curve opportunity occurred earlier this year, when the tax-exempt curve itself was historically steep. Investors were receiving meaningful incremental yield to move beyond ten years—particularly into the 12–22-year range—while also benefiting from attractive carry and roll-down potential. As the municipal curve has flattened, a meaningful portion of that trade has already been realized.

That does not mean the broader municipal opportunity has passed. Rather, the investment case has shifted from curve shape toward outright yields, tax-equivalent income and forward return potential.

As shown below, AAA callable municipals currently offer tax-equivalent yields of approximately 5.88%, 6.89% and 8.61% at the two-, 10- and 30-year points, respectively. That compares with Treasury yields of 4.93%, 5.25% and

5.57% at similar maturities. The tax-equivalent advantage therefore expands from approximately 95 basis points at two years to 164 basis points at 10 years and more than 300 basis points at 30 years.

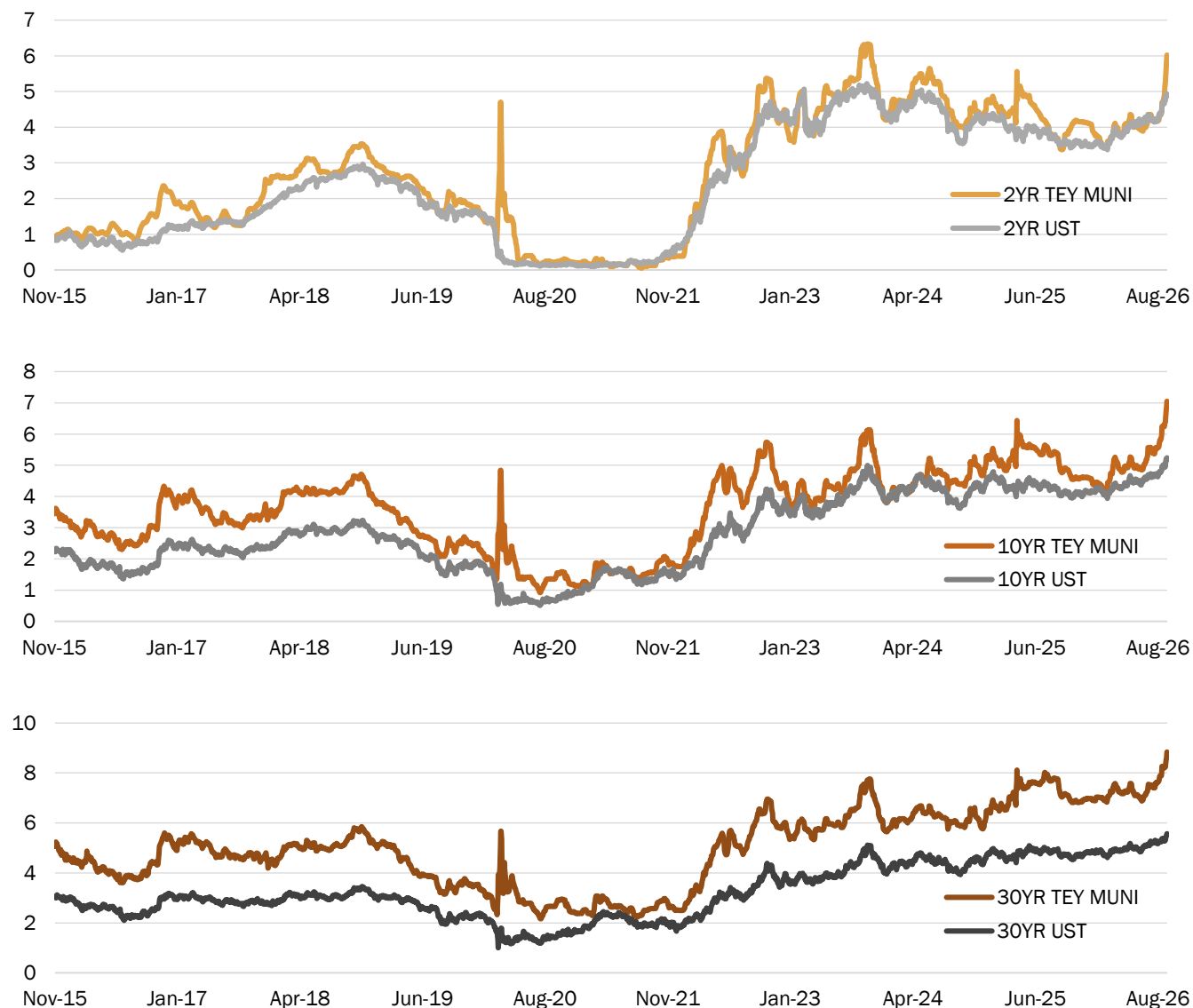
Investors do not earn curve steepness—they earn income and total return. While the municipal curve is no longer as steep as it was earlier in the year, today's tax-equivalent yields remain competitive with Treasuries and other fixed-income alternatives across the maturity spectrum.

Historical return data also support the importance of today's starting yields. According to J.P. Morgan analysis covering the past 30 years, yield levels comparable to those available today have been followed by average annualized returns of approximately 5.7% to 5.9% over the subsequent one- to three-year periods.¹

The municipal curve may no longer offer the same curve-flattening trade available earlier this year, but current yield levels continue to present an attractive entry point. We believe the stronger opportunity today is not simply that municipals are steeper than Treasuries—it is that tax-exempt bonds offer compelling after-tax income and historically favorable forward-return potential.

1. Source: JP Morgan Municipal Morning Intelligence - Global Markets Strategy. September 28, 2026

FIGURE 3: YIELDS | TEY MUNI VS. UST (IN %)



Data as of August 28, 2026.

Source: Bloomberg

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Questions from the Field

Q Do municipal investors need interest rates to fall for today's opportunity to work?

A No. A decline in rates could enhance total returns, but the case for municipals today does not depend on correctly forecasting the next move by the Federal Reserve.

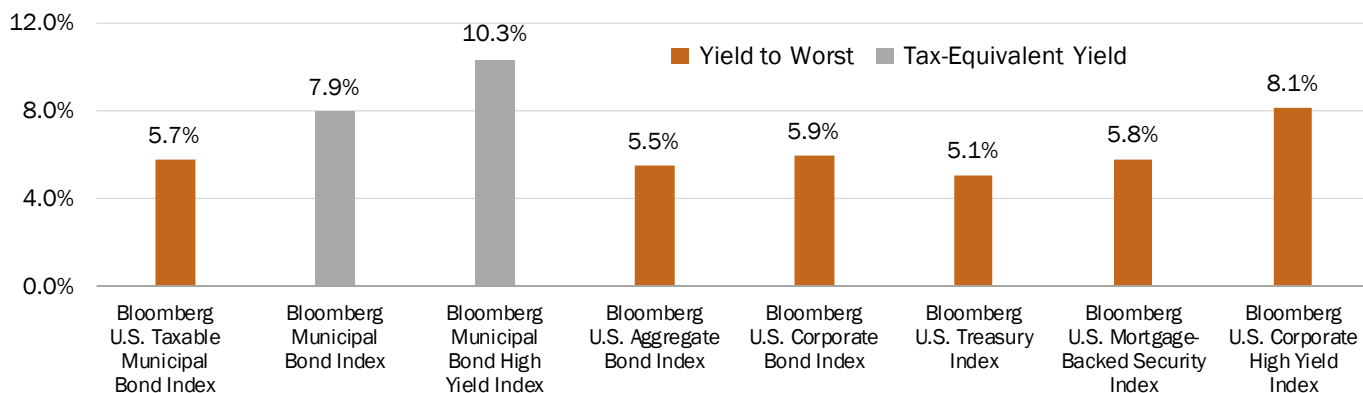
At today's higher starting yields, income can do considerably more of the work. If rates remain relatively stable, investors can continue collecting attractive tax-exempt income. If rates decline, that income may be supplemented by price appreciation. Even if rates move modestly higher, the additional yield provides a larger cushion against price volatility than investors had when yields were much lower.

History reinforces the importance of the starting point. J.P. Morgan analysis covering the past 30 years found that yield levels comparable to those available today were followed by average annualized returns of approximately 5.7% to 5.9% over the subsequent one- to three-year periods. When the 30-year high-grade municipal yield exceeded 4.50%, the benchmark's average forward 12-month return was 7.0%, compared with 4.2% when the starting yield was below 4.50%.¹

This does not eliminate interest-rate or credit risk, and future returns will not necessarily follow historical averages. But it does change the hurdle for success. Investors no longer need an aggressive rate-cutting cycle to generate a reasonable outcome; today's income provides a meaningful foundation for returns.

1. JP Morgan Municipal Morning Intelligence - Global Markets Strategy. September 28, 2026

INDEX YIELDS

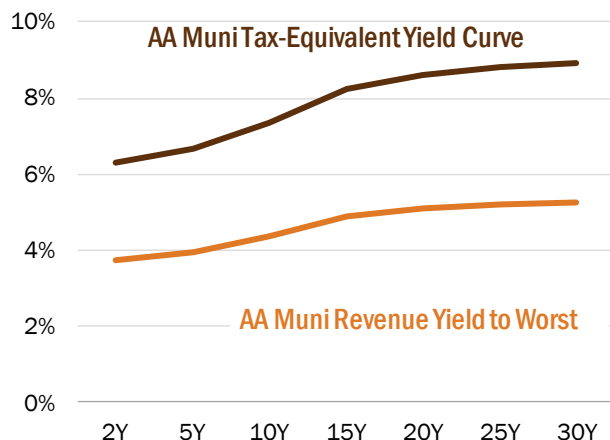


Data as of September 28, 2026

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 September 28, 2026

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

Source: Bloomberg

IN-STATE MUNI TAX-EQUIVALENT YTW



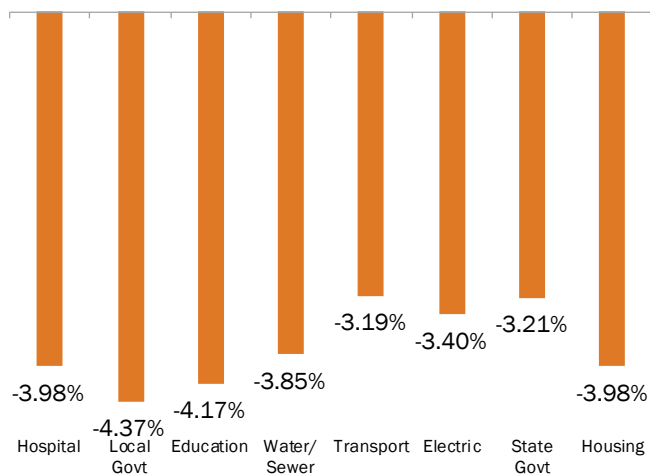
Data as of September 28, 2026

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

Source: Bloomberg

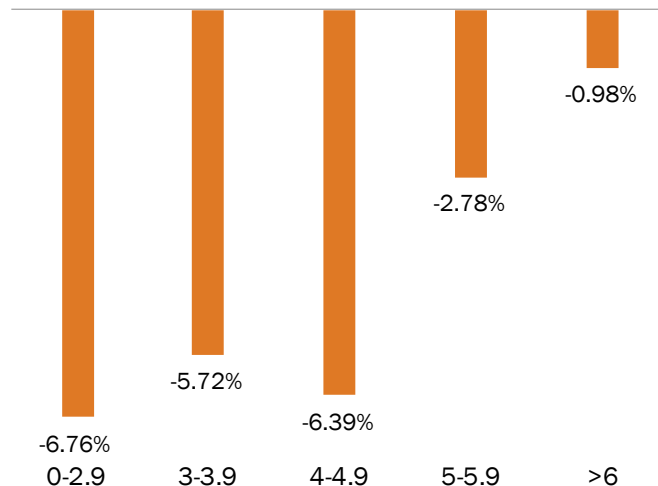
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YTD TOTAL RETURNS BY SECTOR



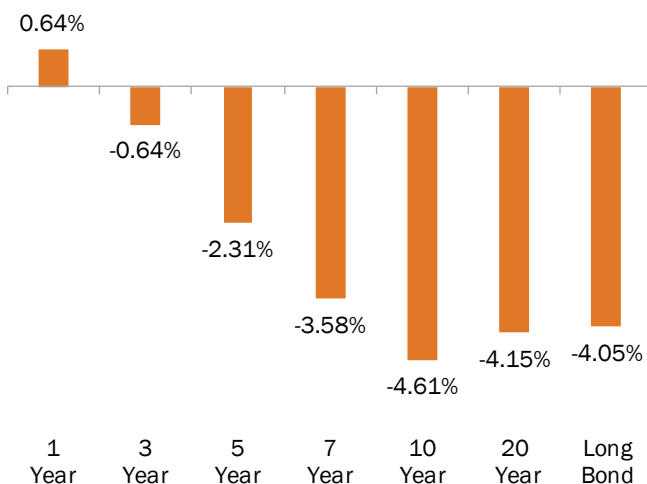
Data as of September 28, 2026
Source: Bloomberg Municipal Bond Index

YTD TOTAL RETURNS BY COUPON



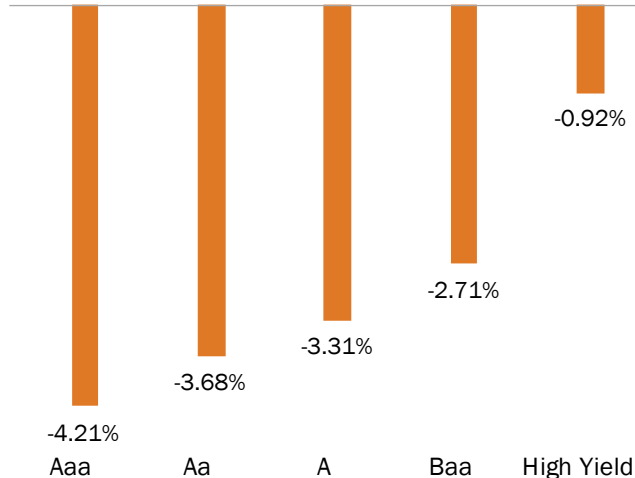
Data as of September 28, 2026
Source: Bloomberg Municipal Bond Index

YTD TOTAL RETURNS BY MATURITY



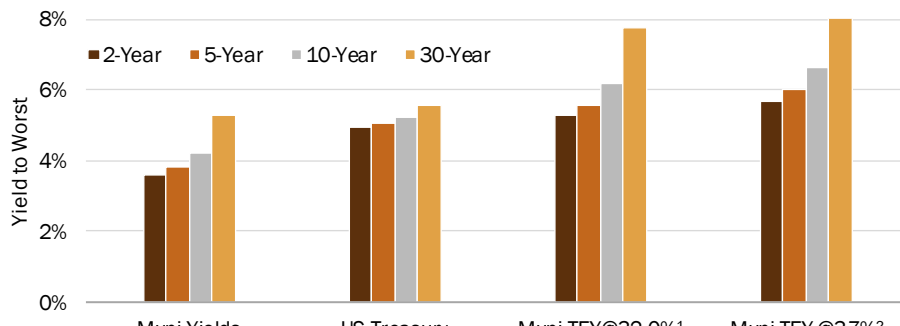
Data as of September 28, 2026
Source: Bloomberg Municipal Bond Index

YTD TOTAL RETURNS BY RATING CATEGORY



Data as of September 28, 2026
Source: Bloomberg Municipal Bond Index

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



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

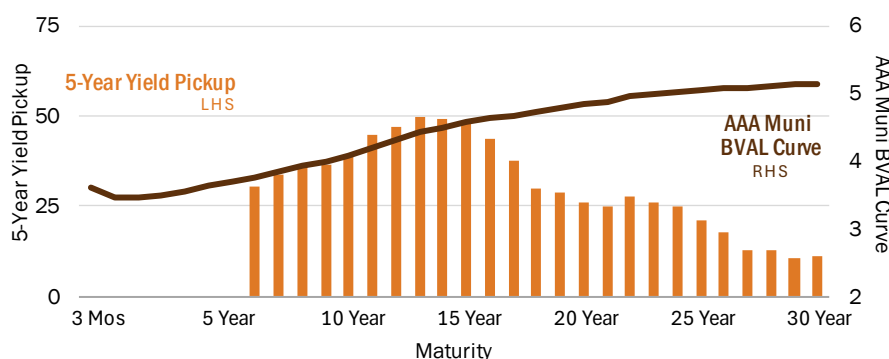
2. Tax Equivalent Yield is using 37% federal tax rate, including 3.8% Net Investment Income Tax.

Data as of September 28, 2026.

Source: Bloomberg

**On a tax-adjusted basis
munis handily lead
across tenors**

YIELD CURVE STEEPNESS

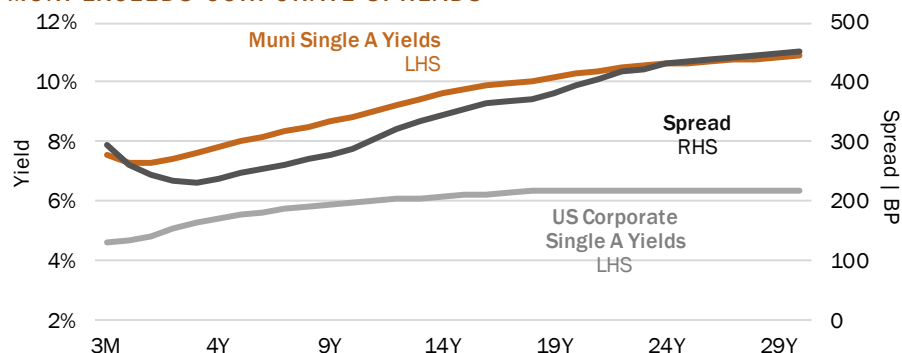


Data as of September 28, 2026.

Source: Bloomberg

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

MUNI EXCEEDS CORPORATE SPREADS



Data as of September 28, 2026.

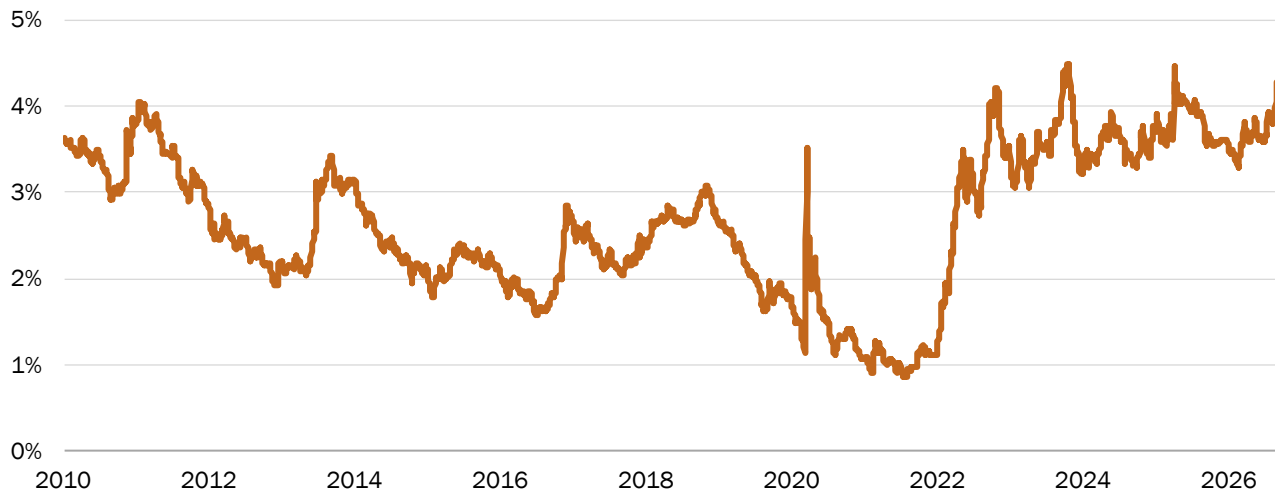
Muni Single A Yields: Bloomberg Municipal Bond Index; US Corporate Single A Yields: Bloomberg Corporate Bond Index

Source: Bloomberg

**Tax equivalent munis
continue to exceed
corporate spread/yields**

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BLOOMBERG MUNICIPAL YIELD-TO-WORST



Data as of September 25, 2026

"Post GFC Average" measures the period from 1/1/2010 – 9/25/2026

Source: Bloomberg

MUNI YIELDS

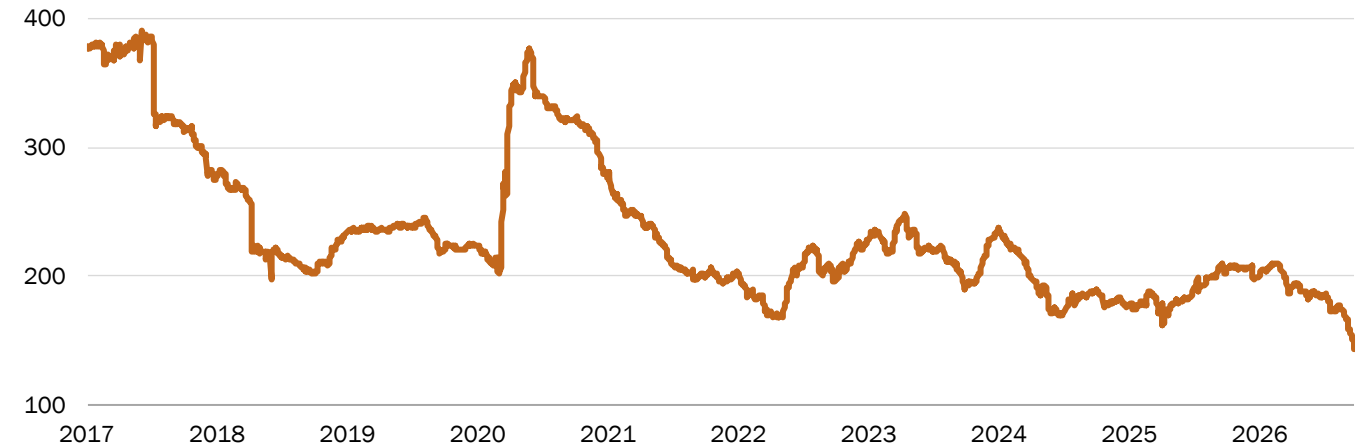
Tenor	9/25/2026	9/18/2026	Change (+/-)
BLOOMBERG AAA MUNI KEY RATE YIELDS			
2 YEAR	3.47%	2.95%	0.52%
5 YEAR	3.67%	3.24%	0.43%
10 YEAR	4.07%	3.74%	0.33%
30 YEAR	5.14%	4.93%	0.21%
US TREASURY RATE YIELDS			
2 YEAR	4.81%	4.76%	0.05%
5 YEAR	4.98%	4.86%	0.12%
10 YEAR	5.17%	5.01%	0.16%
30 YEAR	5.49%	5.34%	0.15%
US TREASURY & AAA MUNI CURVE SLOPES¹			
	2s10s	10s30s	2s30s
US TREASURY CURVE SLOPE	+ 36 bps	+ 32 bps	+ 68 bps
AAA MUNI CURVE SLOPE	+ 60 bps	+ 107 bps	+ 167 bps

Data as of September 25, 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

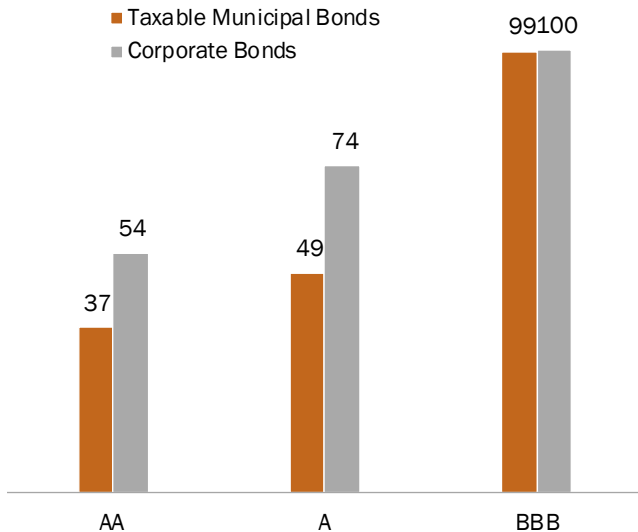
Source: Bloomberg

BLOOMBERG MUNICIPAL HIGH YIELD | AAA YIELD DIFFERENTIAL



Data as of September 25, 2026
Source: Bloomberg

TAXABLE MUNICIPAL AND CORPORATE CREDIT SPREADS



Data as of September 25, 2026
Source: Bloomberg

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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.

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.

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.