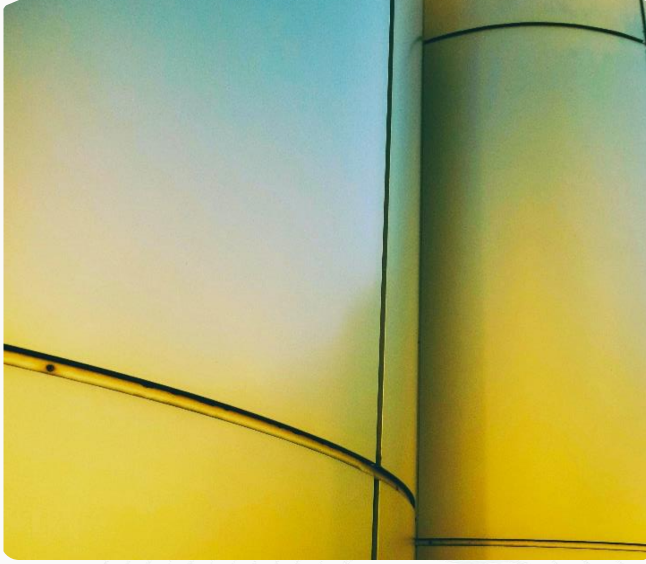


Municipal Market Update

Third Quarter Update

Economy & Rates

- US Treasury interest rates fell during the third quarter, continuing the theme which has been evident (with episodic exceptions) throughout the year. In our view, the downward pressure on rates was primarily driven by a well-developed consensus around a softening labor market expected to fuel a Federal Reserve (Fed) rate cutting cycle, as well as the outlook for a U.S. economy with slowing but still positive growth.

- On September 17th the Fed announced its widely expected 25 basis point (bps) cut to the overnight lending rate. Chairman Powell did cite the slowing U.S. labor market as the primary rationale for the cut. With the rate now set at the 4.00%-4.25% range, the market consensus is that there will be two more rate cuts this year – at the October and December Federal Open Market Committee meetings – as well as one additional cut in January 2025. Views on further easing after that are currently mixed.

- After steepening in the second quarter, the Treasury yield curve beyond the 1-year mark fell fairly uniformly, with yields declining roughly 10-20 bps in the third quarter. Yields declined more significantly inside of 1 year in response to the increasing likelihood of a Fed easing cycle.

- On a year-to-date basis, the baseline 10-year Treasury yield has declined significantly, ending the third quarter at 4.15% after having started the year at 4.57%, and placing it well below the cyclical peak of roughly 5% which was notched in October 2023. Treasury yields inside of 10 years have rallied even more significantly, with the 2-year versus 10-year yield spread increasing from 33 to 54 bps this year and the 5-year versus 10-year spread increasing from 19 to 41 bps. Yields longer on the Treasury yield have reset less noticeably, likely due to uncertainty about the longer-term path for inflation and the U.S. economy. That said, we did notice some green shoots of curve flattening (i.e. the longer end rallying more strongly) during the month of September.

- As of 9/18/2025, Loomis Sayles' Macro Strategies team currently assigns a 55% probability to a "Stallflation" macro scenario as their base case, which forecasts that growth is likely to slow in reaction to tariff policy effects, partially offset by the positive effects of fiscal programs. "Downturn" (essentially a mild recession scenario marked by a pullback in consumer spending, negative S&P 500 earnings growth, and an increasingly accommodative Fed) is assigned a 25% likelihood, and "Late Cycle Resilient" (marked by a less onerous tariff regime, a more resilient economic growth trend, an upward bias to yields, and a pause in the Fed cutting cycle) is assigned a 20% likelihood.

Municipal Market Performance

- Municipal (muni) yields also rallied lower in the third quarter. The curve steepening trend has been even more pronounced this year in munis than in Treasurys, and continued into 3Q, especially inside of 10 years on the muni curve. In our view, the front end of the muni yield curve has rallied sharply due to strong retail demand, while the longer end has steepened under the weight of robust new issuance supply and limited institutional demand.On September 17th the Fed announced its widely expected 25 basis point (bps) cut to the overnight lending rate. Chairman Powell did cite the slowing U.S. labor market as the primary rationale for the cut. With the rate now set at the 4.00%-4.25% range, the market consensus is that there will be two more rate cuts this year – at the October and December Federal Open Market Committee meetings – as well as one additional cut in January 2025. Views on further easing after that are currently mixed.

- Passage of the One Big Beautiful Bill Act (OBBBA) in July was a noteworthy event which took place during the quarter. While the bill's passage into law confirmed that the muni tax exemption wasn't in danger of revocation, it did introduce significant changes which impacted healthcare, state Medicaid funding, higher education, and local tax policies with a mix of funding cuts, tax adjustments, and new grant programs. One aspect of the OBBBA which made headlines was the increase of the "SALT" (state and local tax) deduction cap from $10,000 to $40,000. This change, which is currently temporary as written in the legislation, theoretically could make munis (a source of tax-free income which can lower the taxpayer's exposure to SALT) incrementally less attractive to high income / high state tax paying households. However, we would discount such concerns due to the SALT cap increase being most valuable in high state income tax states (CA, NY, and NJ for example) where munis are already in high demand and should remain so due to their state income tax exemption.

- The downward trend in yields produced a strongly positive total return for the Bloomberg Municipal Bond Index, which posted a 3.00% return in Q3, leaving the Index up 2.64% year-to-date.

- While all portions of the muni curve saw positive performance in Q3, returns on the longer end of the curve were among the highest. Although yields declined more inside of 10 years, the longer end of the curve benefited from both declining yields as well as a stronger baseline "carry" (absolute level of bond yields) component of returns.

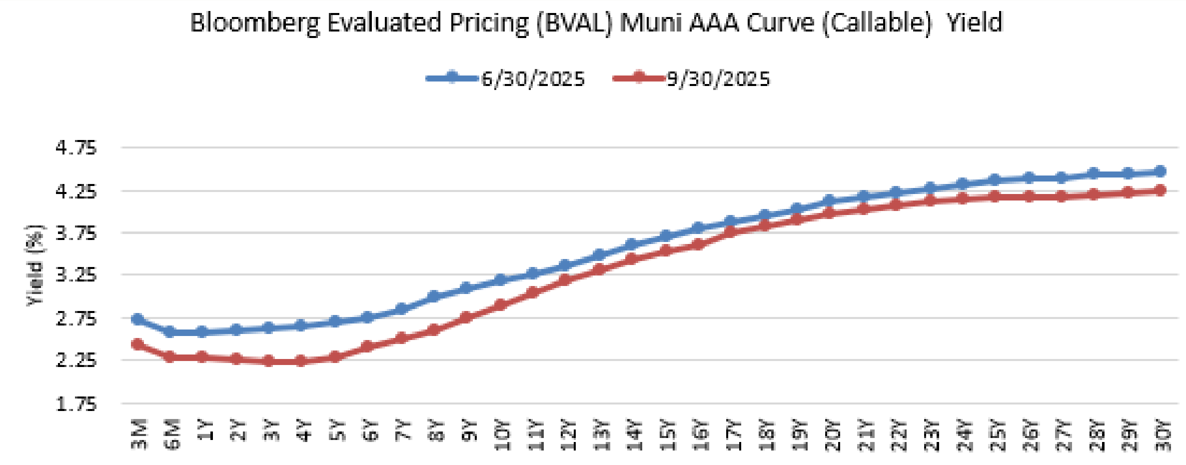
				TRAILING RETURNS AS OF SEPTEMBER 30, 2025 (%)					
Index Data	Duration (Years)	Quality	YTW	Quarter	YTD	1-year	3-year	5-year	10-year
Bloomberg Municipal Bond Index	6.79	AA-	3.65%	3.00	2.64	1.39	4.74	0.86	2.34

Source: Bloomberg
Returns for multi-year periods are annualized. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
Past market performance is no guarantee of future results.

- On balance, the muni market has remained buoyant, in our opinion, with asset class inflows persisting and new issue deals oversubscribed—sometimes heavily so—in spite of the peak period for "seasonals" (reinvestment cashflows from maturing bonds) having ended for now.

- Revenue muni bonds slightly outperformed General Obligation bonds for the quarter, and the performance differential among muni quality (ratings) levels was relatively inconsequential as well. We view this as reflecting a market environment which put more of a premium on carry and yield compression rather than quality differentials.

- At quarter end, the muni curve maintained a generally normal, upward-sloping shape, aside from a bit of a "hook" inside of six months where yields were elevated in correlation with the Fed funds rate. Over the last year, curve steepening has been the key trend, with yields inside of the 6-8 year range falling noticeably and yields beyond 8 years doing the opposite.



Source: Bloomberg as of 9/30/25
Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
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- Overall, our municipal market outlook is favorable in the near term, with attractive valuations and high nominal yields helping to moderate our risk outlook. Yield curve steepening and technical factors have driven the muni market narrative, and passage of the OBBBA has provided taxation and federal policy clarity, with the negative impacts being confined to just a few muni sectors.

Muni/Treasury Ratio			
	12/31/2023	12/31/2024	9/30/2025
5 Year	58%	66%	62%
10 Year	58%	68%	70%
30 Year	83%	80%	91%

Source: Bloomberg
Returns for multi-year periods are annualized. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
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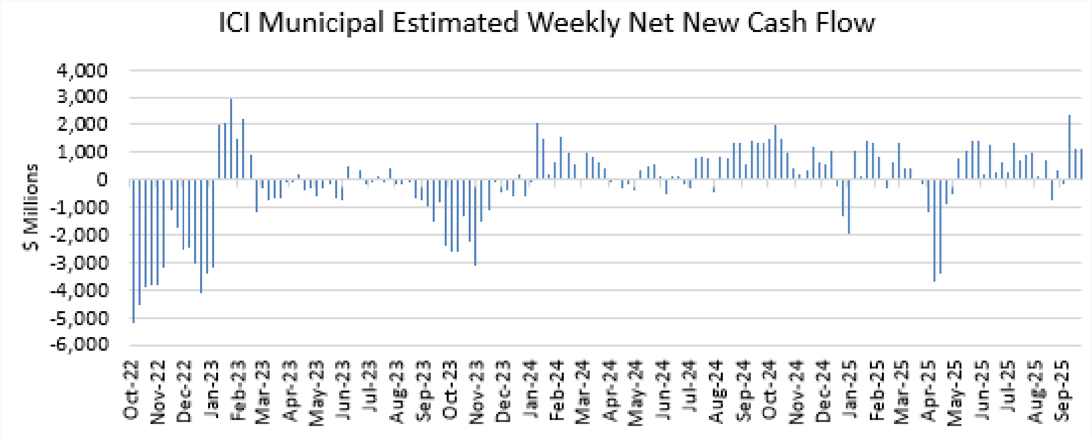
Muni Supply & Demand

- The flow of investor money into municipals demonstrated a positive trend in Q3, with weekly muni mutual fund flows remaining primarily positive and with separately managed account (SMA) demand remaining robust as well. Mutual fund net inflows summed approximately $7 billion in the quarter, a significant turnaround from the -$2 billion in Q2, according to Bloomberg.



Source: Bloomberg, as od 9/30/2025.
Past market experience is no guarantee of future results.

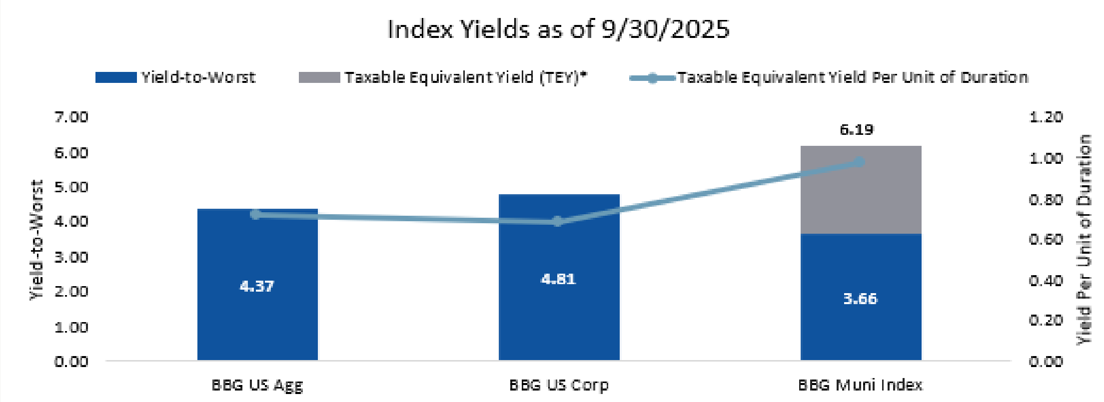
- New issuance of muni bonds is running approximately 19% ahead of last year's pace. We expect strong new issuance to continue, albeit potentially at a somewhat slower pace due to deals being pulled forward to the first half of 2025 because of the political uncertainty which existed at the time. However, inflation and decreased federal support for state and local entities could induce new borrowing needs and spur incremental new issuance.

- From a technical perspective, seasonal flows entered a relatively weak time of year after August, but the muni market seemingly shrugged this off and delivered positive returns across the yield curve. We expect seasonal flows to improve later in the fourth quarter. While this cycle is a known annual event, and just one factor in what moves the muni market, weaker seasonals could potentially offset the other strong demand-side factors.

Outlook

The following conditions underpin our constructive view on the current outlook for the municipal market:

- Elevated absolute yields and a steepened muni yield curve offer an opportunity for attractive carry and rolldown.
- On a "tax equivalent" basis, munis may provide a compelling alternative to other investment grade credit asset classes, particularly for high tax bracket investors.
- We expect demand from retail investors in mutual funds, ETFs and separately managed accounts to continue absorbing the heavy pace of new issuance as long as yields do not climb significantly higher (which is not our base case).
- Credit spreads have been widening for much of the year as new issue supply continues its record pace and Federal Policy remains less supportive than in prior administrations. Spreads now look attractive across the yield curve and rating spectrum for most muni sectors, relative to historical averages.
- Credit conditions in several muni sectors are being impacted by Federal policy headwinds.
- Relative valuations appear rich at the 2-year and 5-year points on the curve, while appearing attractive past the 10-year point on the curve.
- We expect strong client inflows into muni products – mutual funds, separately managed accounts, and ETFs – to offset the expected seasonal weakening of muni reinvestment flows.
- The risks which challenge our constructive view include Federal policy uncertainties which could impact the credit fundamentals of weaker quality muni issuers, the Fed's extent and
- timing of future rate cuts, and the potential for an unexpectedly strong economy which pressures long-term rates higher.
- **The Bloomberg Municipal Bond Index sported a 3.66% yield at quarter-end, which equates to a 6.19% Taxable Equivalent Yield (using an effective tax rate of 40.8%). We believe this represents value - and a possible entry point - relative to the Bloomberg US Corporate Bond Index and the Bloomberg US Aggregate Index.**



**The taxable equivalent yield is calculated using an effective tax rate of 40.8% which includes the 37.0% top federal marginal income tax rate and the 3.8% Net Investment Income Tax to fund Medicare.*
Source: Loomis Sayles and Bloomberg as of 9/30/2025. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
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Diversification does not ensure a profit or guarantee against a loss.
Any investment that has the possibility for profits also as the possibility of losses, including the loss of principal.

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