nuveen
A TIAA Company

Separately Managed Accounts

Municipal Fixed Income

Municipal Total Return

Marketing communication | As of 30 Jun 2025

- **The Bloomberg Main Municipal Bond Index, the benchmark for the Municipal Total Return composite, generated a total return of -0.12% in the second quarter as its average yield ended +10 bps higher at 3.95%.**
- **Allocation by maturity, rating and sector modestly detracted from excess return, while positive selection within bonds maturing in 22 years or longer was the primary contributor.**
- **The investment team continues to favor premium, high quality, call-protected bonds for a core portion of the portfolios to enhance income while implementing credit selection to identify relative value opportunities.**

Market review

Technical factors including substantial issuance have caused municipals to meaningfully underperform other fixed income sectors during the second quarter, which rose municipal yields but created relative value opportunities. While 15-year U.S. Treasury yields rose by 9 basis points (bps) in the second quarter, 15-year AAA municipal yields rose by 24 bps. The Municipal-to-Treasury yield ratios have historically been a barometer of relative value in the municipal market and have ended the second quarter at their most favorable levels since the post-October 2023 interest rate sell off. A steeper municipal yield curve creates more opportunity in long duration going forward. Importantly, the prevalent 10-year muni bond call features typically limit additional duration risk when extending beyond 10 years, allowing investors to enhance yield without proportional duration exposure.

Supply trends remain robust, with year-to-date muni issuance up more than 16% versus 2024's record-breaking levels, despite early April volatility. Issuance of $220 billion year-to-date through May suggests 2025 could reach a record $560 billion. On the demand side, fund flows stayed relatively strong despite the drawdown in April. According to the Investment Company Institute net new cash flow reported to both municipal exchange-traded and open-end mutual funds totaled $12.74 billion year-to-date through May 31, 2025, compared to $14.34 billion by the same time last year.

Looking ahead, greater tax policy certainty and reduced summer issuance, combined with strong reinvestment demand, should create favorable technical conditions, potentially sparking positive momentum into fall. Robust revenues and high statutory and record funding of reserves for state and local governments make municipal credit well-positioned to manage through economic uncertainty even if markets move to a risk-off tone. Many municipal issuers benefit from broad autonomy as bonds backed by property taxes, dedicated state and local taxes, transportation revenues, tolls or project-specific revenues should remain relatively insulated from federal policy changes.

The latest U.S. Census data contains collections through Q1 2025. Total state and local tax collections for the first quarter of 2025 were up 5.8% compared to the first quarter of 2024. Individual and Corporate income taxes showed the strongest performance, with individual income taxes up 10.8% over the prior year and corporate tax collections up 6.1% compared to the same quarter last year (2024). States primarily rely on income and sales taxes to fund operations, and both have demonstrated resilience even as revenue growth has returned to historic norms following several years of post-pandemic volatility.

Municipal Total Return

Nuveen Asset Management has been emphasizing higher-rated bonds (AAA and AA underlying or stand-alone ratings), but we have also been marginally increasing exposure to A-rated bonds, and plan to modestly lengthen duration, which has been somewhat shorter than our long-term strategic target. We intend to continue favoring premium, high quality, call-protected bonds for a core portion of the portfolio and to seek opportunities to enhance income through favorable security structures and/or sectors. We also intend to choose maturities based on our yield curve analysis, and to utilize the work of our research team to identify bonds that may be undervalued relative to credit strength.

Portfolio review

MMD-AAA Benchmark Yield Curve Rates ended the quarter higher across maturities of 15 years or longer by +24 to +30 bps, while yields on 1-, 5-, and 7-year maturities ended lower by -4, -19, -13 bps, respectively. The Bloomberg Main Index returned 0.62% in the month of June and -0.12% in the second quarter of 2025 as its market yield ended the period at 3.95%, or -9 bps lower than as of the start of the month, +10 bps higher than as of the start of the quarter, and +21 bps higher than as of the start of the year (3.74%). The steepening of the municipal yield curve favored shorter maturities given their limited duration profiles. The Bloomberg Muni Long Bond (22+) Index, which had a starting modified duration of 9.87 years, returned -1.94% as its average yield rose by +31 bps over the quarter to 4.90%, while the Short/Intermediate (1-10) Index, which had a starting duration of 3.60 years, returned 1.14% as its average yield ended the quarter lower by -8bps at 3.18%.

The Municipal Total Return strategy combines holdings of investment grade, intermediate municipal bonds with the Municipal Total Return Managed Accounts Portfolio. The Total Return Portfolio seeks to enhance total returns and tax-exempt income by investing in higher yielding municipal bonds.

The Bloomberg Main Index, the benchmark for the Total Return Composite, possessed a starting average duration 6.25 years, compared to 6.31 years for the Composite. Bonds rated BBB/Baa and A/A underperformed in the Index over the second quarter with returns of -0.51% and -0.21%, compared to returns of -0.10% and -0.03% for bonds rated AA/Aa and AAA/Aaa, respectively.

The Municipal Total Return Composite lagged against its benchmark in the second quarter. Allocation attribution rewards cases where the composite was overweight in outperforming segments of the market index or underweight in underperforming segments relative to the overall index average. Allocations by maturity, rating and sector detracted from an overweight in bonds maturing in 12 to 17 years and in bonds rated BB/Ba, and underweight in State GOs. Positive selection within bonds maturing in 22 years or longer was the primary contributor.

Municipal Total Return

For more information contact: 800.752.8700 or visit nuveen.com

Minimum investment is $250,000.

Important information on risk

All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. An investment in any municipal portfolio should be made with an understanding of the risks involved in investing in municipal bonds, such as interest rate risk, credit risk, and market risk. The value of the portfolio will fluctuate based on the value of the underlying securities. Please contact a tax advisor regarding the appropriateness of tax-exempt investments in your portfolio. Nuveen is not a tax advisor. If sold prior to maturity, municipal securities are subject to gain/losses based on the level of interest rates, market conditions and the credit quality of the issuer. Income may be subject to the alternative minimum tax (AMT) and/or state and local taxes, based on the investor's state of residence. Income from municipal bonds held by a portfolio could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. Below investment grade or high yield debt securities are subject to liquidity risk and heightened credit risk. The potential use of inverse floaters creates effective leverage. Leverage involves the risk that the portfolio could lose more than its original investment and also increases the portfolio's exposure to volatility and interest rate risk.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her financial professional.

The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions, legal and regulatory developments, additional risks and uncertainties and may not come to pass. This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts,estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions that may have been made in preparing this material could have a material impact on the information presented herein by way of example. **Performance data shown represents past performance and does not predict or guarantee future results.** All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not berelied on as such.

Glossary

The **Bloomberg Municipal Bond Index** covers the USD denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. The 7-year Index consists of bonds from the Municipal Bond Index with maturities of approximately 7 years. Bonds in the Long Index mature in 22 years or longer. **It is not possible to invest directly in an index.** Clients should consult their financial professionals regarding unknown financial terms and concepts.

Nuveen Asset Management, LLC is a registered investment adviser and an affiliate of Nuveen, LLC.