

Is high yield high risk?

As of 30 Jun 2026

nuveen
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Municipal market insights

Economy 	
Inflation	Energy related volatility has pressured prices, leading to short term uncertainty .
Policy	The Fed has held rates steady ; however, markets now expect a rate hike before a rate cut.
Economic growth	Mixed economic data contributes to uncertainty, although recent data has been steadier .
Interest rates	Elevated inflation and uncertain Fed policy may keep longer term interest rates higher for longer .

Municipals 	
Credit fundamentals	States and cities have strong revenue collections and reserves. We are closely monitoring health care and higher education sectors.
Supply and demand	Municipal issuance is expected to hit \$600B in 2026 . However, maturing bonds, coupon payments and bond calls should offset this record supply , while strong inflows could provide additional support.
Valuations	Despite recent volatility, municipal valuations are attractive relative to broader fixed income . We believe the rally is still in the early stages.

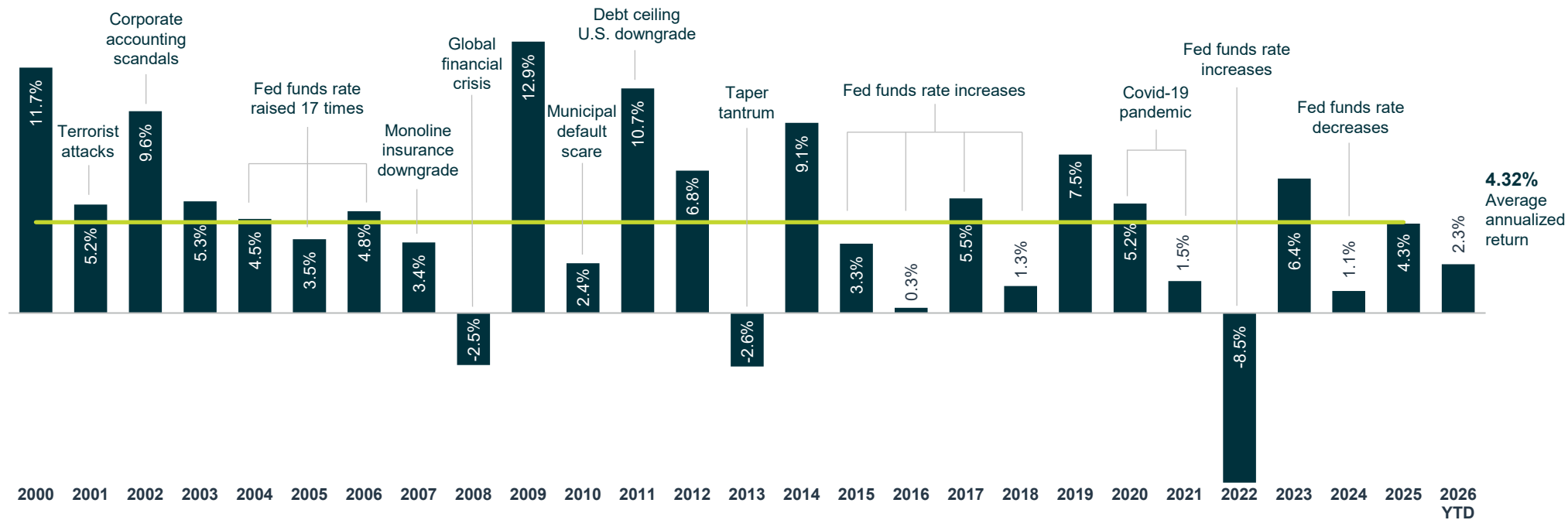
Source: Nuveen as of 30 Jun 2026. Certain statements may be deemed forward-looking statements. Please note that any such statements are not guarantees or intended to constitute a prediction of any future performance; actual results or developments may differ materially from those projected.

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Municipals have historically been resilient

Bloomberg Municipal Bond Index returns (%)



2026 YTD index performance has returned 2.32% through June.

Data source: Bloomberg, L.P., 30 Jun 2026. The average annualized return shown is for the period 01 Jan 2000 – 31 Dec 2025. Performance data shown represents past performance and does not predict or guarantee future results. 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. Index returns include reinvestment of income and do not reflect investment professional and other fees that would reduce performance in an actual client account.

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High yield municipal bonds: Perception is often different than reality

Perception



Detroit



Puerto Rico



Chicago

Reality



Charter schools



Retirement homes



Land secured

What are high yield municipal bonds?

High yield municipal bonds are...

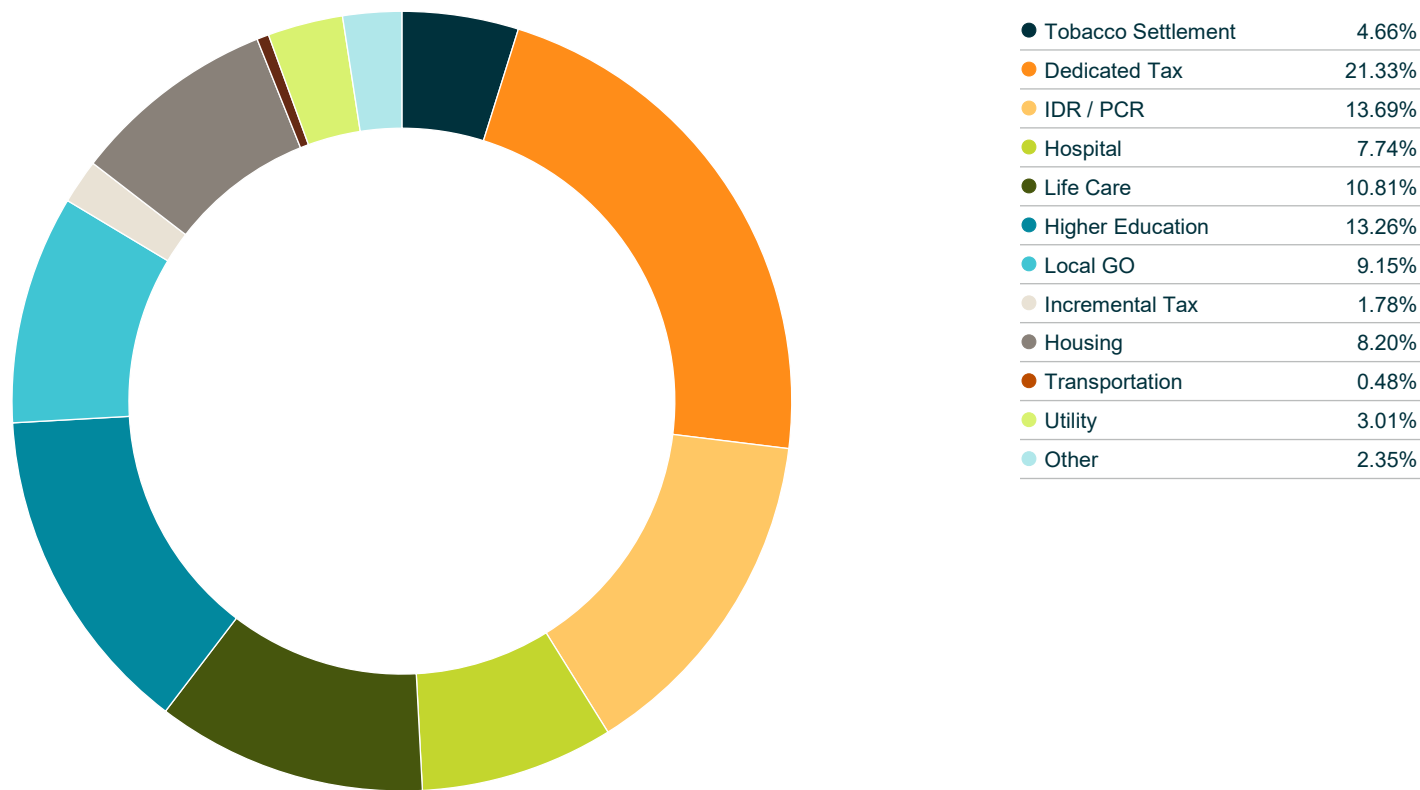
- Primarily project bonds
- Typically related to providing an essential service
- Usually issued by entities financially independent from the city, county or state they serve
- Usually higher yielding to compensate investors for uncertainty: project, construction, liquidity and management risk
- More sensitive to macro and micro economic trends
- Usually have strong bondholder protections, which may include senior lien, debt service reserve fund, mortgage and other covenants



See definitions at the end of this presentation for more information on general obligation bonds. Past performance does not predict or guarantee future results.

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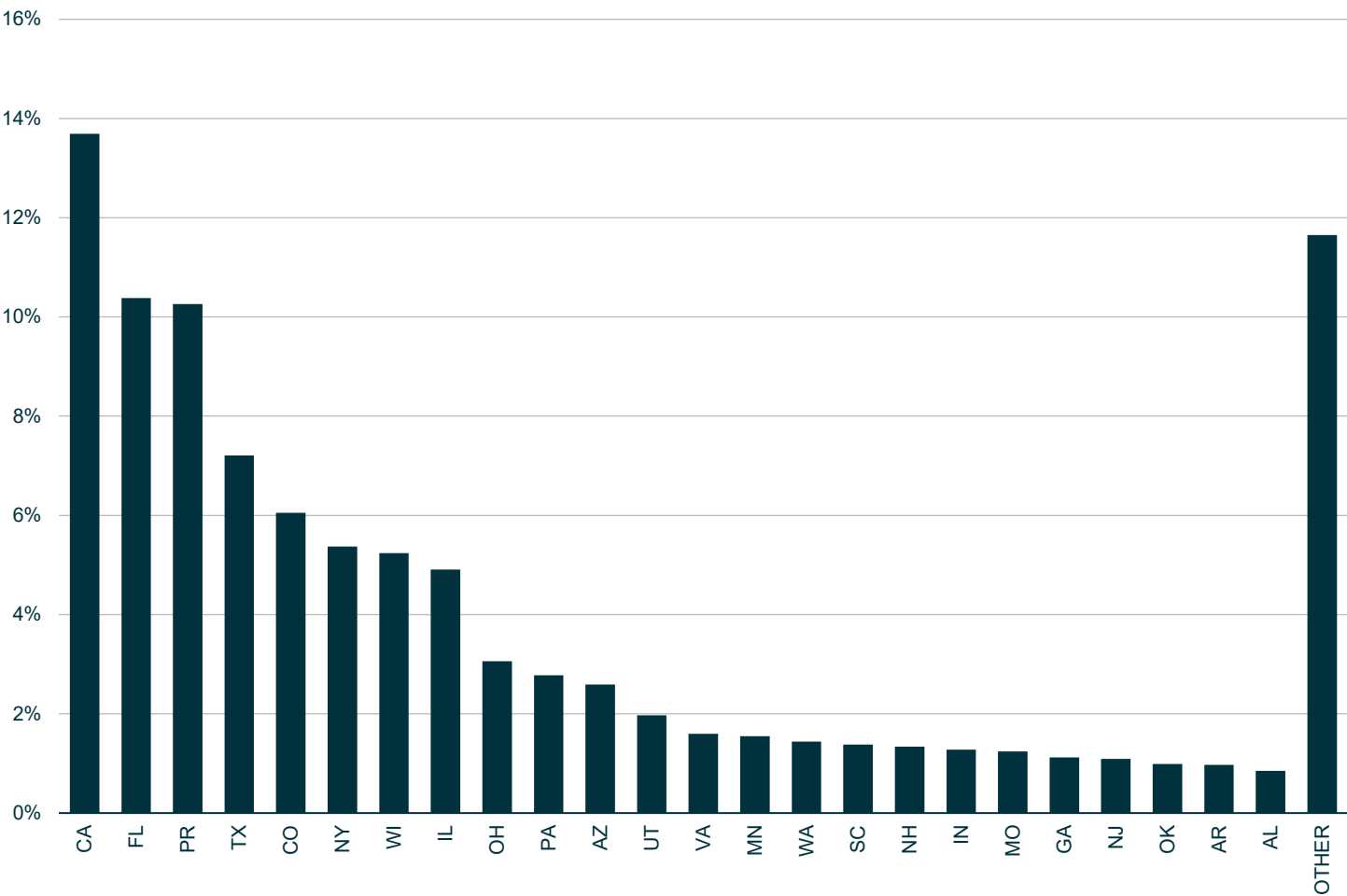
High yield municipals cross many sectors



Data source: Standard & Poor's, 30 Jun 2026. Allocation based on the S&P High Yield Municipal Bond Index.
* IDR (industrial development revenue bonds) and PCR (pollution control revenue) bonds are a subset of the revenue bond sector.

GOs can fall into the high yield market

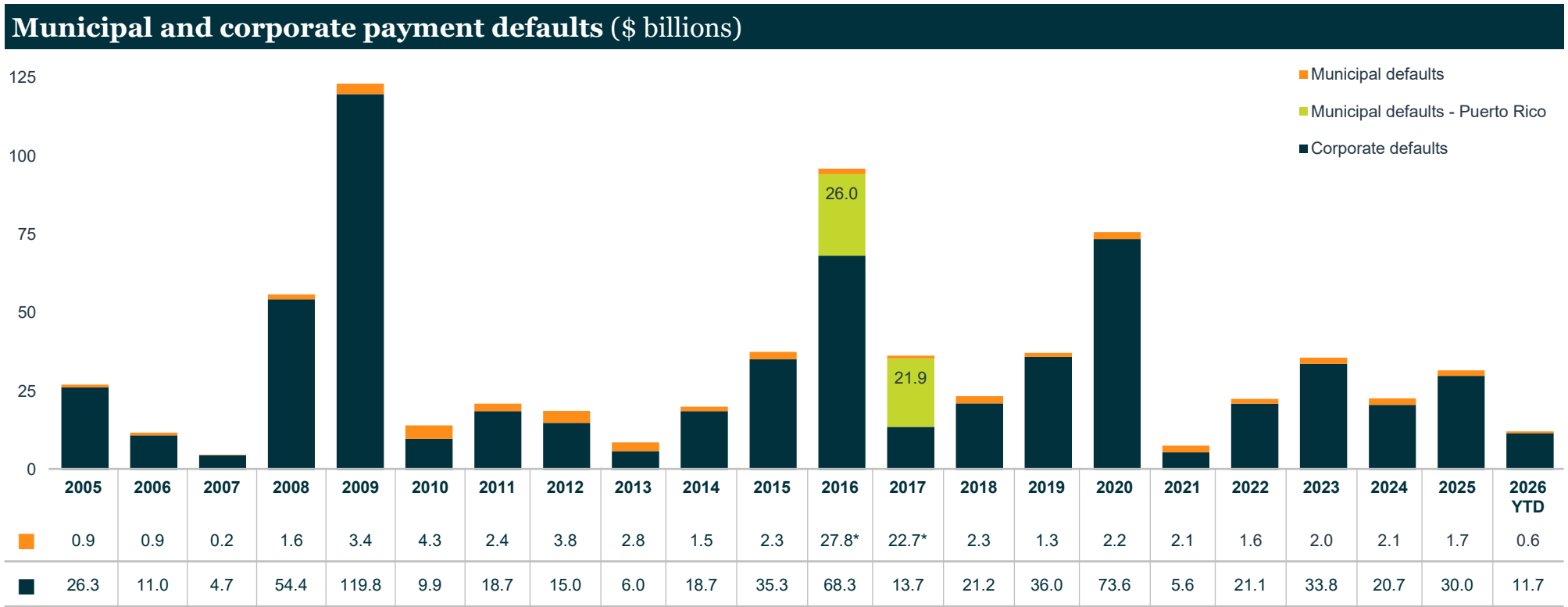
State and territory exposure in the S&P Municipal Yield Index



Puerto Rico makes up 11.65% of the high yield market

Data source: InvestorTools, 30 Jun 2026.

Defaults remain in line with historical trends



Municipal defaults remain rare, isolated and idiosyncratic in the early stages of 2026.

Data sources: Bank of America/Merrill Lynch Research, 7 Jul 2026, municipal default data as of 30 Jun 2026. Bank of America/Merrill Lynch Research HY Credit Chart book, corporate default data as of 30 Jun 2026. Data represents defaults on the entire universe of bonds, both rated and unrated, and includes Puerto Rico defaults. *For 2016 and 2017, the figures shown for municipal defaults were primarily from Puerto Rico defaults; \$26.0B (2016) and \$21.9B (2017).

Municipal default rates have fared better than similarly rated corporate bonds

A-rated municipal default rates are lower than those of Aaa corporate bonds.

Moody's average cumulative default rates of municipals vs. global corporates, 1970-2024¹

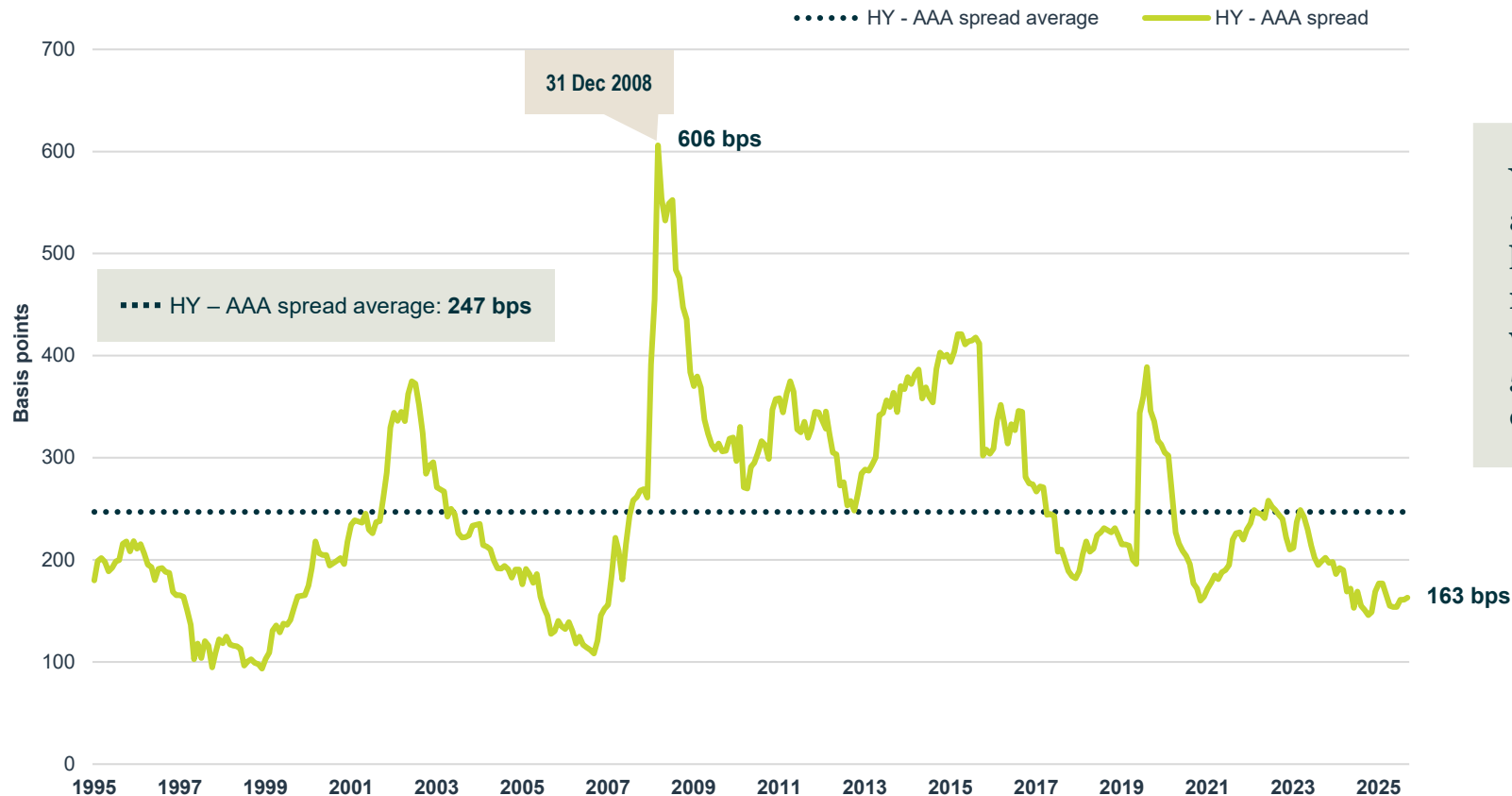
Rating		Aaa	Aa	A	Baa	Ba	B	Caa-C	Investment grade	Below investment grade
5-Year	Municipal	0.00%	0.01%	0.03%	0.46%	1.93%	11.90%	20.62%	0.04%	4.81%
	Corporate	0.08%	0.29%	0.71%	1.43%	7.62%	20.58%	35.24%	0.86%	18.98%
10-Year	Municipal	0.00%	0.02%	0.10%	1.09%	3.49%	17.07%	25.59%	0.10%	7.14%
	Corporate	0.36%	0.76%	2.03%	3.61%	15.25%	34.31%	51.44%	2.24%	29.74%

Municipal recovery rates are significantly higher than for corporates, with an average weighted recovery of 65% for municipals vs. 47% for corporates.

¹ Data source: Moody's Ratings, U.S. Municipal Bond Defaults and Recoveries, 1970 – 2024, 05 Aug 2025, with data as of 31 Dec 2024; updated annually. Performance data shown represents past performance and does not predict or guarantee future results. The universe for the study represents approximately 12,500 fundamental U.S. public finance ratings from Moody's.

Flows are returning as high yield credit spreads are below historical averages

Bloomberg High Yield Municipal Index versus AAA yields



Yields remain attractive in the high yield municipal space, with a yield of 5.41% at the end of June.

Data source: Bloomberg, Refinitiv MMD, 31 Oct 1995 – 30 Jun 2026, shown monthly. Chart shows data to the earliest period available. Performance data shown represents past performance and does not predict or guarantee future results. High yield municipal yields represented by the Bloomberg High Yield Municipal Index; AAA municipal yields represented by Municipal Market Data (MMD) yields for AAA rated 20-year bonds. High yield or lower-rated bonds and municipal bonds carry greater credit risk, and are subject to greater price volatility. Ratings shown are from S&P and are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC/CC/C and D are below-investment grade ratings. Different benchmarks, economic periods, methodologies and market conditions will produce different results.

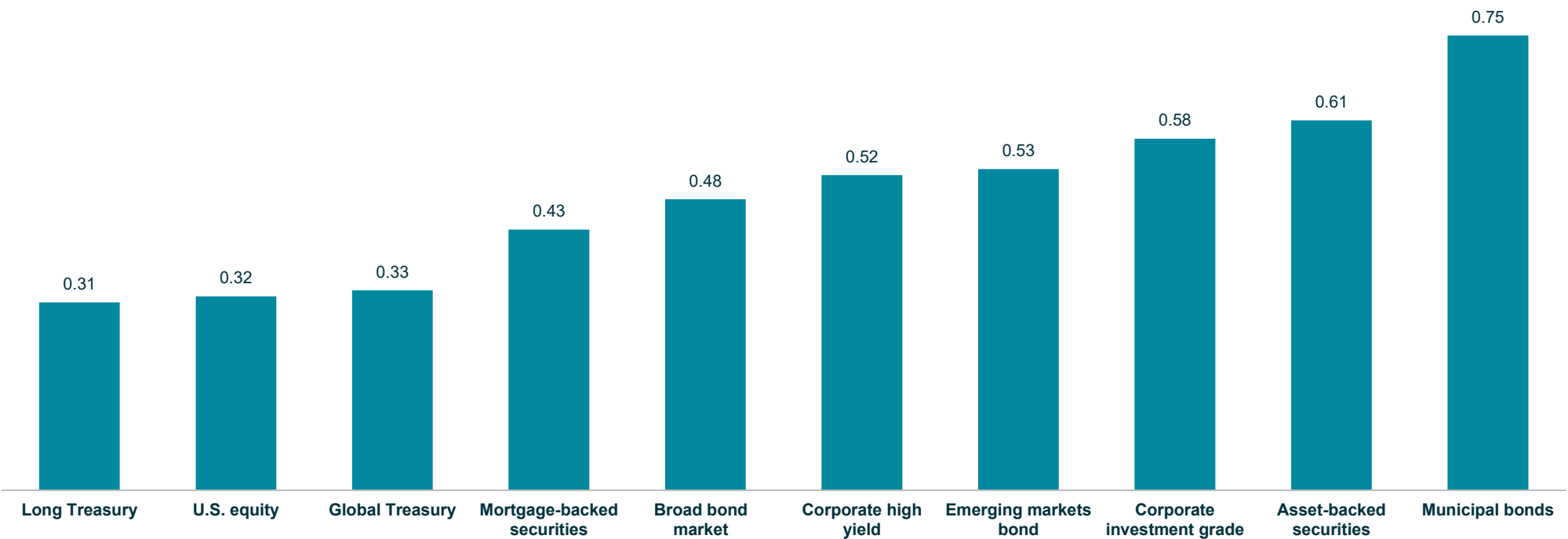
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High yield municipal bonds have a low correlation to other asset classes

High yield municipal bonds tend to be less cyclical than corporate bonds due to the essential nature of the projects being financed.

Correlation to Bloomberg High Yield Municipal Bond Index
01 Jul 1999 – 30 Jun 2026

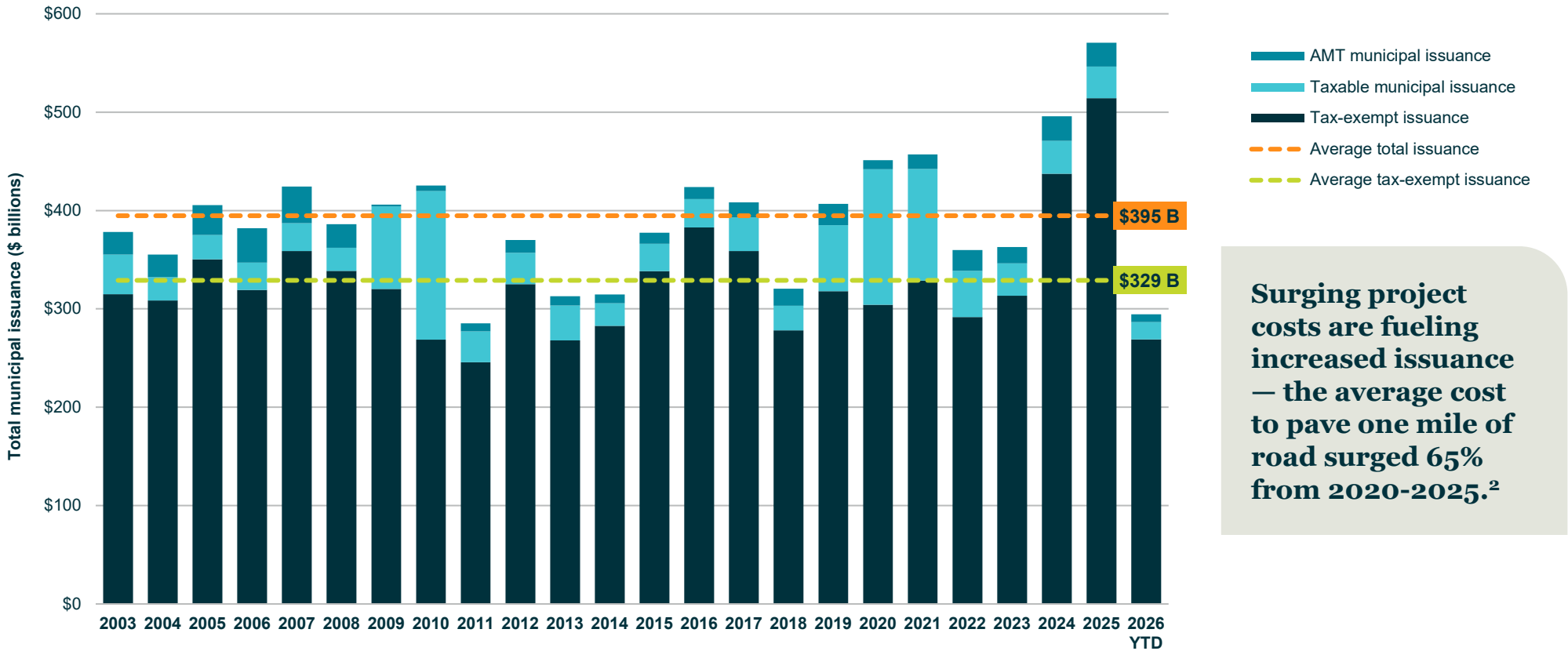


Data source: Morningstar Direct; 01 Jul 1999 – 30 Jun 2026. Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: Asset-backed securities: Bloomberg Asset-Backed Securities Index; Broad bond market: Bloomberg U.S. Aggregate Bond Index; Corporate high yield: Bloomberg U.S. Corporate High Yield Index; Corporate investment grade: Bloomberg U.S. Corporate Investment Grade Index; Emerging markets bond: Bloomberg Emerging Markets Bond Index; Global Treasury: Bloomberg Global Ex U.S. Treasury Bond Index; Long Treasury: Bloomberg U.S. Treasury Long Index; Mortgage-backed securities: Bloomberg MBS (fixed rate) Index; Municipal bonds: Bloomberg U.S. Municipal Bond Index; U.S. equity: S&P 500 Index.

Issuance is likely to be elevated in 2026

Higher costs are contributing to elevated supply with 2026 overall issuance expected to be \$600B. Issuance through June is up +5.6% compared to June 2025 levels.

Municipal issuance¹



¹ Data source: Securities Industry and Financial Markets Association (SIFMA.org), U.S. Bond Market Issuance and Outstanding, 7 Jul 2026 for period ending 30 Jun 2026. The average total issuance and average tax-exempt issuance shown are for the period 01 Jan 2003 – 31 Dec 2025. AMT municipal issuance is part of the tax-exempt municipal market.

² Data source: National Highway Construction Cost Index, as of 31 Dec 2025.

Summary

- High yield municipals are a generally misunderstood asset class
- High yield municipals are typically not GOs and span many sectors
- High yield municipals have historically defaulted less than similarly rated corporates
- Low correlations versus other asset classes can increase diversification and dampen volatility
- After-tax yields for high yield municipals are attractive relative to other fixed income
- High yield municipals have historically responded more favorably to rising rates than most other fixed income securities
- Staying the course has benefited investors

Past performance does not predict or guarantee future results.

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