

Nuveen High Yield Municipal Bond Fund

Marketing Communication | As of 30 Jun 2024

Market review

June's rebound helped municipal bonds recoup the losses from April and May. The S&P Municipal Bond Index returned 0.26% in the second quarter. In the below investment grade universe, the S&P Municipal Yield Index returned 1.36% for the same period. Municipal yields rose across much of the curve, with the AAA municipal benchmark interest rates ending June at 3.72% for 30-year maturities. Municipal-to-Treasury ratios fell, and ended the quarter below historical averages.

AAA municipal benchmark interest rates fell by -0.09% for 1-year maturities and rose 0.33% for 10-year maturities, with this segment of the curve remaining inverted to flat. The yield curve remained steep from 1 to 30 years. Total returns were positive for the shortest and longest maturities but negative across the belly of the yield curve.

Municipal-to-Treasury yield ratios ended the quarter below historical averages. The 10-year ratio increased to 65% as of June 2024, from 59% at the end of December 2023 (versus the long-term average of 84%). The 30-year ratio closed June at 83%, below its historical norms.

Supply rose 35% year-over-year in the second quarter, totaling \$139 billion, with new money issuance up 25% and refunding issuance up 73%. Refunding volume was largely driven by current refunding deals and refinancing through tender offers. Municipal fund flows remained positive but slowed from the first quarter, totaling \$3.7 billion in the second quarter, as high prevailing yields and the Fed pause attracted investors.

Credit spreads narrowed in the quarter. High yield spreads tightened from 214 bps to 199 over AAA rated equivalent-maturity municipal bonds. Investment grade BBB spreads were slightly tighter at 88 bps over AAA. First-time municipal bond defaults totaled \$294 million in the second quarter of 2024, a very small percentage of the overall \$4 trillion market.

Portfolio review

The Fund outperformed the benchmark S&P Municipal Yield Index for the quarter, primarily on the strength of individual security selection, which benefited from narrowing spreads and income that offset market weakness

earlier in the quarter. A notable event this quarter was a large new deal brought by Brightline to refinance a portion of its outstanding tax-exempt debt (see more in Contributors).

Contributors

- While the Fund benefited from a few large standout performers, including Vistra Vision equity (acquired in a restructuring) and PREPA (Puerto Rico Electric Power Authority), the collective strength of a wide array of smaller, non-rated positions drove much of the Fund's performance this quarter. Spread compression has begun to accelerate among these smaller high yield names, now that the tightening in the larger, more beta high yield names seen in late 2023 has largely run its course.
- The Brightline transaction provided an opportunity to 1) reduce the Fund's overall concentration in Brightline and diversify into new opportunities, 2) reinvest a portion of the proceeds into several Brightline new issue replacement bonds, and 3) contribute positively to the Fund's total return and income, as the redeemed bonds were retired at a premium and the new issue subordinated debt performed well during the quarter.
- The Fund's underweight to tobacco was another positive contributor.
- Duration positioning was a modest contributor, driven by the favorable underweights to 2- to 8-year duration, the weakest performing segment, and overweight to 12-year and longer duration, which outperformed. The use of tender option bond leverage was also beneficial in the quarter.

Detractors

- There were few material detractors in the quarter, but the Fund's overweight to AA rated bonds was disadvantageous as high grade bonds lagged. The Fund's AA rated exposure includes bonds held in tender option bond structures and other positions held for short-term liquidity purposes.

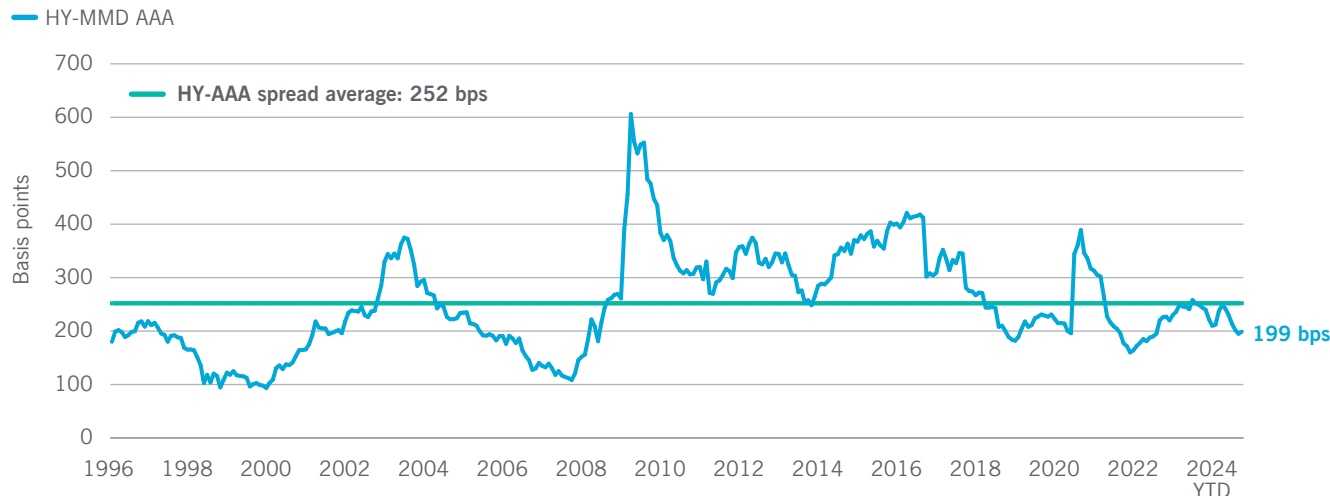
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Credit spreads

High yield municipal spreads narrowed in the second quarter, from 214 bps to 199 bps. The spreads measure high yield municipal bond yields versus AAA rated 20-year municipal bond yields.

Bloomberg High Yield Index vs. AAA yields

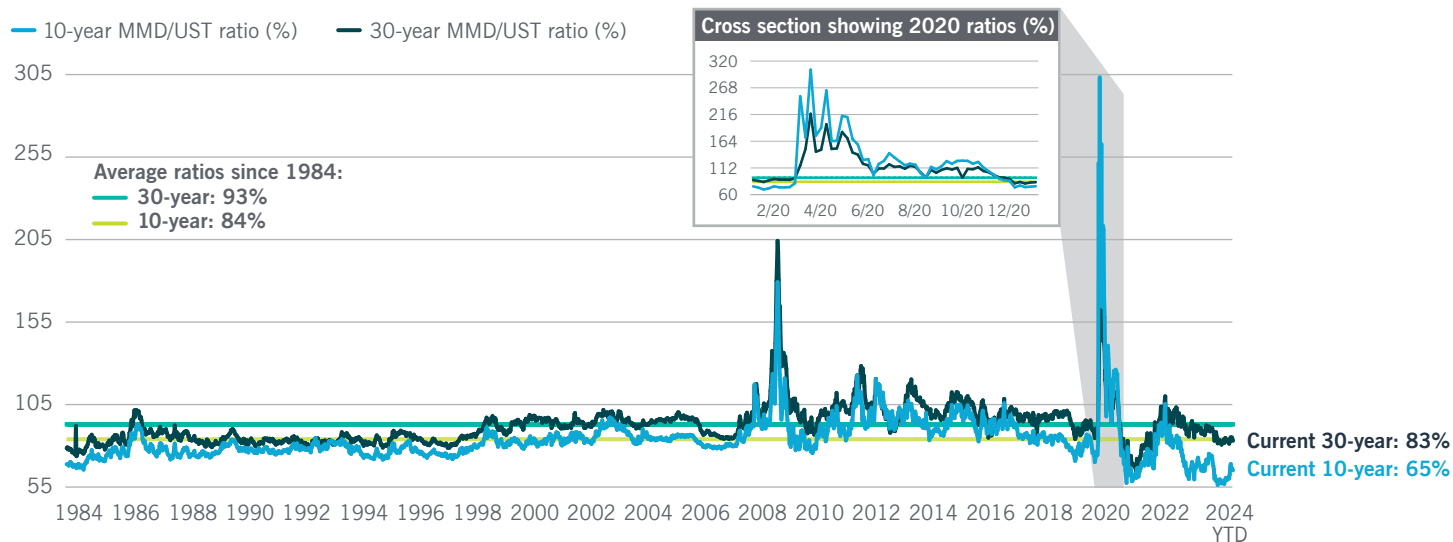


Data source: Bloomberg, Refinitiv MMD, 31 Oct 1995 – 30 Jun 2024. Chart shows data to the earliest period available. **Performance data shown represents past performance and does not predict or guarantee future results.** High yield municipal yields represented by the Bloomberg High Yield Municipal Index; 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. Indexes are unmanaged and unavailable for direct investment.

Municipal-to-Treasury ratios

The 30-year municipal-to-Treasury ratio ended June at 83%, below the historical average of 93%. The ratio represents the value of 30-year AAA municipals relative to U.S. Treasuries.

AAA municipals' value relative to Treasuries



Data source: Refinitiv MMD for fair value Municipal 10-and 30-Year Index AAA General Obligation bonds; Bloomberg for 10-and 30-year U.S. Treasury yields, 01 Jan 1984 – 30 Jun 2024. **Performance data shown represents past performance and does not predict or guarantee future results.** Represents the relative value of municipal yields to Treasury yields. All investments carry a certain degree of risk, including loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Individual tax rates may vary. Some income may be subject to the federal alternative minimum tax (AMT) or capital gains taxes.

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Market outlook

Heading into the third quarter, municipal bonds are likely to be supported by technical and fundamental tailwinds. Although we expect supply to remain elevated in the coming months as issuers bring long-delayed deals ahead of potential election-related volatility, slower issuance later in the year combined with continued reinvestment income should foster a more favorable technical backdrop. We expect demand to outpace supply, even at elevated levels, as high yields continue to attract investors to individual bonds, a significant volume of coupon payments and bond maturities will need to be reinvested, and holding cash becomes more expensive approaching the Fed's first rate cut. Additionally, municipal credit fundamentals remain strong, positioning municipal bonds to weather potential economic uncertainty.

Portfolio outlook

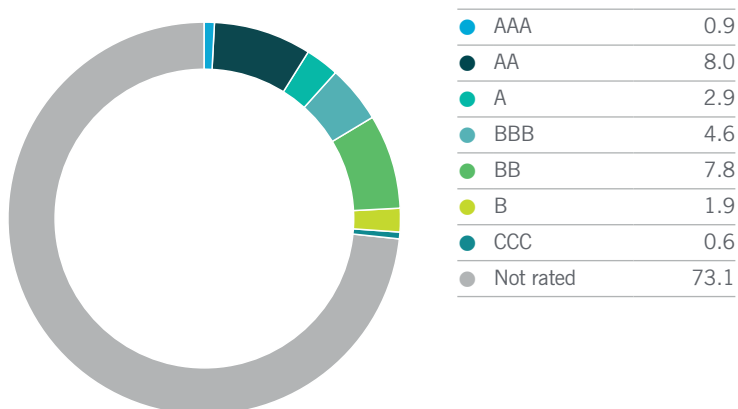
With high yield issuance expected to taper later in the year, the Fund will remain active in seeking attractive income and total return opportunities from smaller, more esoteric credits — where our deep credit research capability is specialized— to keep the Fund fully invested. The combination of undersupplied markets and healthy investor demand should put pressure on spreads, most prominently in the non-beta names that we favor, which haven't seen the meaningful spread compression experienced by the higher beta names last year. Municipal credit fundamentals look supportive, even if the economy slows. The Fund continues to emphasize land secured and charter school bonds, while exercising more caution in life care and higher education bonds.

Portfolio statistics

	Fund
Fund net assets (\$ bil.)	16.35
Number of positions	2,971
Effective duration (years)	12.46
Average effective maturity (years)	23.00
Effective duration (years)	12.46

This data relates to the portfolio and the underlying securities held in the portfolio. It should not be construed as a measure of performance for the Fund itself.

Credit quality (%)



As a percentage of the Fund's total net assets. Holdings and ratings are subject to change. Totals may not add up to 100% due to rounding. Positions of inverse floating rate securities, if any, show the amount of the residual inverse floater only, and not the amount of the underlying bond and any associated liability to the holder of the associated floating rate security, and therefore this presentation may not be fully consistent with generally accepted accounting principles. Ratings shown are the lowest rating given by one of the following national rating agencies: S&P, Moody's or Fitch. Credit ratings 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. U.S. government securities, if owned by the fund, are included in the U.S. Treasury/Agency category (included only if applicable). Holdings designated NR are not rated by these national rating agencies.

Top ten sector allocation (%)

	Fund net assets
Tax obligation/limited	29.9
Education and civic organizations	11.9
Transportation	9.7
Tax obligation/general	6.2
Health care	5.6
Utilities	5.6
Industrials	4.3
Housing/multifamily	3.8
Consumer staples	3.5
Long term care	2.8

Positions are subject to change. Positions of inverse floating rate securities, if any, show the amount of the residual inverse floater only, and not the amount of the underlying bond and any associated liability to the holder of the associated floating rate security, and therefore this presentation may not be fully consistent with generally accepted accounting principles.

For updated municipal market views, please refer to our [municipal bond investing resources](#) at [nuveen.com](#).

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Average annualized total returns (%)

	Inception date	QTD	1 year	3 years	5 years	10 years	Since inception	SEC 30-day yield	Expense ratios	
									Gross	Net
Class I	07 Jun 99	3.15	7.85	-1.22	2.13	4.45	4.99	4.44	1.43	1.43
Class A without sales charge	07 Jun 99	3.10	7.71	-1.44	1.94	4.25	4.79	4.24	1.63	1.63
Class A with max. 4.2% charge	07 Jun 99	-1.26	3.21	-2.84	1.06	3.80	4.61	4.24	1.39	1.39
S&P Municipal Yield Index		1.36	7.43	-0.35	2.69	4.37				

Performance data shown represents past performance and does not predict or guarantee future results. Investment returns and principal value will fluctuate so that shares redeemed may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown. Total returns for a period of less than one year are cumulative. Returns without sales charges would be lower if the sales charges were included. Returns assume reinvestment of dividends and capital gains. For performance current to the most recent month-end visit [nuveen.com](https://www.nuveen.com).

Class I shares have no sales charge and may be purchased by specified classes of investors.

The SEC 30-day yield is computed under an SEC standardized formula and is based on the maximum offer price per share. Subsidized (Sub.) yields reflect fee waivers in effect. Without such waivers, yields would be reduced. Unsubsidized (Unsub.) yields do not reflect fee waivers in effect.

Overall Morningstar Rating™

Category: 193 High Yield Muni funds

CLASS I ★★★★★

Morningstar ratings may vary among share classes and are based on historical risk-adjusted total returns, which are not indicative of future results.

Fund description

The Fund focuses on non-investment-grade and unrated municipal bonds with a weighted average maturity of more than 10 years. A large team of credit analysts seeks value, targeting municipal bond market inefficiencies in pursuit of the Fund's primary goal to provide investors with a high level of tax-exempt income. The team also aims to enhance yield by strategically using leverage through tender option bond transactions.

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.

Portfolio management

Daniel J. Close, CFA
26 years industry experience

Stephen J. Candido, CFA
28 years industry experience

For more information contact: 800.752.8700 or visit [nuveen.com](https://www.nuveen.com)

Important information on risk

Mutual fund investing involves risk; principal loss is possible. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, call risk, tax risk, political and economic risk, and income risk. As interest rates rise, bond prices fall. Credit risk refers to an issuer's ability to make interest and principal payments when due. The Fund concentrates in non-investment-grade and unrated bonds with long maturities and durations which carry heightened credit risk, liquidity risk, and potential for default. In addition, the Fund oftentimes engages in a significant amount of portfolio leverage and in doing so, assumes a high level of risk in pursuit of its objectives. Leverage involves the risk that the Fund could lose more than its original investment and also increases the Fund's exposure to volatility, interest rate risk and credit 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 advisors.

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For the period ended 30 Jun 2024, Morningstar rated this Fund's I shares, for the overall, three-, five-, and 10-year periods (if applicable). The Class I shares received 5, 4, 5, and 5 stars among 185, 185, 178, and 118 High Yield Muni Funds, respectively. These ratings are for Class I shares only; other classes may have different performance characteristics. Investment performance reflects applicable fee waivers. Without such waivers, total returns would be reduced and ratings could be lower. For the most current ratings, please visit [nuveen.com](https://www.nuveen.com).

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts)

with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. ©2024 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Glossary

Average effective maturity is the weighted average of the effective maturity dates of the fixed-income securities in the Fund's holdings. A bond's effective maturity takes into account the possibility that it may be called by the issuer before its stated maturity date. In this case, the bond trades as though it had a shorter maturity than its stated maturity. A **basis point** is one one-hundredth of one percentage point, or 0.01%. For example, 25 basis points equals 0.25%. **Effective duration** is for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change. This measures the responsiveness of a bond's price to interest rate changes, and illustrates the fact that the embedded option will also affect the bond's price. **Inverse floating rate securities** are derivative securities designed to produce high levels of tax-exempt income representing the difference between interest paid on an underlying municipal bond and short-term interest rates, less certain expenses, times a leverage ratio. This income varies inversely with the short-term rates based on the leverage ratio. Inverse floating rate securities also result in the Fund experiencing leveraged exposure to both upward and downward changes in the value of the underlying bonds. **Leverage** is created whenever a fund has investment exposure (both reward and/or risk) equivalent to more than 100% of the investment capital. **S&P Municipal Yield Index** is structured so that 70% of the market value of the index consists of bonds that are either not rated or are rated below investment grade, 20% are rated BBB/Baa, and 10% are rated single A. **Yield curve** is a graph or "curve" that depicts the yields of bonds of varying maturities, from short-term to long-term. The graph shows the relationship between short- and long-term interest rates. Long-term rates are typically higher than short-term rates. When short-term rates are higher than long-term rates, this is called an "inverted" yield curve. **It is not possible to invest directly in an index.**

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The Fund features portfolio management by Nuveen Asset Management, LLC, an affiliate of Nuveen, LLC. Nuveen Securities, LLC, member FINRA and SIPC.