nuveen
A TIAA Company

Separately Managed Accounts

Municipal Fixed Income

Municipal Total Return

Marketing communication | As of 31 Dec 2024

- **The Bloomberg Main Municipal Bond Index, the benchmark for the Municipal Total Return composite, returned -1.22% in the fourth quarter as its average market yield increased by 0.42% to 3.73%.**
- **Allocation attribution by duration detracted, while allocation by rating and sector marginally contributed. Most of the positive contribution was allocated to credit selection**
- **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

As the Fed began cutting rates in the second half of 2024, market expectations for a soft landing gained momentum, and long-term rates moved higher as stronger economic growth was priced into the yield curve. That steepness may attract more long-duration municipal bond demand. We anticipate robust tax-exempt supply due to ongoing infrastructure needs and current refunding volume. We expect another year of supply that could touch $500 billion as issuers accept the higher-for-longer rate cycle and tap the market in 2025. While supply is expected to remain elevated, demand is expected to increase based on strong fundamentals in the municipal market, continued demand for tax-exempt income and attractive yields. According to the Investment Company Institute, open-end municipal bond funds added $17.5 billion of net flows after reporting net inflows in 22 of the past 26 weeks ended 12/31/2024. Similarly, municipal ETFs added $14.2 billion of net flows in the past 26 weeks with only 2 weeks of modest redemptions.

Looking forward, robust revenues and high statutory reserves for state and local governments make municipal credit well-positioned for resiliency even if markets move to a risk-off tone. Many municipal issuers also 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 Q3 2024. Total state and local tax collections were up 5.4% compared to the first three quarters of 2023. Property tax collections were up 8.8% compared to the same period last year. Strong growth in property taxes confirms local governments continue to benefit from appreciating property values and a strong demand for housing. 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

Portfolio review

Yields across the MMD AAA Benchmark Yield Curve Rates rose by 0.31%, 0.56%, 0.46%, 0.41%,0.40% and 0.38% on maturities of 1, 5, 10, 15, 20 and 30 years over the quarter. Despite the larger rise in yield in short to intermediate maturities, the longer duration profiles of longer dated maturities led longer indices to underperform. For instance, the Long (22+) Index, with a starting duration of 8.87 years, returned -1.65% as its average yield increased by 0.30%, while the Short/Intermediate (1-10) Index, with a starting duration of 3.54 years, returned -0.88% as its average yield increased by 0.49%.

The Bloomberg Main Index, the benchmark for the Municipal Total Return composite, delivered a total return of -1.22% in the fourth quarter as its average yield increased by 0.42%. The starting duration of the Main Index was 5.64 years, compared to 5.26 for the Total Return Composite. The best performance by rating category for the Index came from bonds rated A/A (-1.18%), while bonds rated AAA/Aaa, with an ending weight of 23%, returned (-1.28%).

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. High yield municipal credit spreads narrowed meaningfully during the fourth quarter, from 198 bps to 181 bps over the equivalent-maturity AAA bond. This spread tightening, combined with high embedded yields, allowed high yield municipal bonds to outperform high quality bonds.

The Municipal Total Return Composite underperformed the Main Index in the fourth 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. Allocation by duration detracted from an overweight in durations of 6 to 8 years, and underweight in durations of less than 4 years. Allocation by rating and sector were slight contributors as the composite was overweight in bonds rated BBB/Baa and in special tax bonds, which outperformed in the general index. Most of the positive contribution was allocated to credit selection - especially within the 4-6 duration range.

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.