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A TIAA Company

Separately Managed Accounts

Municipal Fixed Income

Limited Maturity Municipal

Marketing communication | As of 31 Dec 2024

- **The Bloomberg Short/Intermediate (1-10 Year) Municipal Index, the benchmark for the Limited Maturity composite, returned -0.88% as its average market yield increased by 0.49% to 3.31%.**
- **Allocation attribution by duration and rating marginally detracted, while allocation by sector marginally contributed. Positive credit selection made up the bulk of excess return contribution.**
- **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.

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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 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 Short/Intermediate (1-10) Index, the benchmark for the Limited Maturity Composite, benefited from having 84% of its ending exposure in bonds with durations of less than 6 years. The best performance by rating category for the Index came from bonds rated BBB/Baa (-0.85%), while bonds rated AAA/Aaa, with an ending weight of 22.5%, returned (-0.90%).

The Limited Maturity Composite outperformed the Short/Intermediate (1-10) benchmark in the fourth quarter, largely due to positive security selection. Allocation attribution rewards cases where the composite was overweight in outperforming segments of the index or underweight in underperforming segments relative to the overall index average. Allocation by duration was practically neautral as the contribution from an overweight in durations of less than 2 years was offset by a detraction from an overweight in durations of 4 to 8 years. Allocation by Rating and Sector had minimal impact on exess return, but much of the positive contribution was allocated to credit selection - especially within durations of 4-6 and 0-2 years, underwhich all rating categories outperformed their benchmark counterparts.

Limited Maturity Municipal

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.

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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. The **Bloomberg Municipal Intermediate/Short (1-10) Municipal Bond Index** measures the performance of municipal bonds with time to maturity of between one and ten years. **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.

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