

# Nuveen Municipal Credit Opportunities Fund (NMCO)

Marketing communication | As of 30 Jun 2024

- The Fund outperformed the benchmark S&P Municipal Yield Index for the quarter.
- High yield municipal bonds delivered a positive total return and outperformed the broad municipal bond market in the quarter as credit fundamentals remained healthy and the high yield supply-demand imbalance persisted. Yields on high grade municipal bonds rose but fell for below investment grade bonds, tightening high yield credit spreads. The higher income and credit spread compression of high yield municipal credit helped offset the headwind of rising interest rates in the quarter.
- Although the Fund's longer duration positioning, including the use of leverage, was unfavorable, it was more than offset by strong credit selection among lower rated, higher yielding bonds as credit spreads compressed at a faster rate.

## Portfolio review

A notable event this quarter was a large new deal brought by Brightline to refinance a portion of its outstanding tax-exempt debt. The 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 Brightline's newly issued 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 trading activity was largely driven by reinvesting the Brightline proceeds, along with income from coupons, calls and maturities. The Fund continued to take advantage of the higher yields in the market and select relative value opportunities, especially in land-secured and charter school bonds, while rotating out of positions with lower embedded yields. There were no material changes to the Fund's overall positioning.

## Contributors

Spread compression began to accelerate among 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. This faster spread narrowing propelled strong performance across a diverse group of Fund holdings. These included bonds issued for Brightline (see more details in Portfolio Review), American Dream Meadowlands and Talen Energy, as well as several land-secured projects, charter schools and senior living facilities.

An equity holding in Vistra Vision (acquired in a restructuring) was another large contributor in the quarter. We continued to focus on further divestiture of the Vistra Vision position.

## Detractors

There were few detractors from relative performance in the quarter. The Fund's longer duration positioning, including the use of leverage, was unfavorable in the rising rates environment during the quarter. The Fund's selection in tobacco credits underperformed their benchmark counterparts, although an overall underweight to the sector was beneficial.

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## Average annualized total returns (%)

	Inception date	QTD	1 year	3 years	Since inception
Share price	16 Sep 19	6.02	8.00	-5.45	-1.02
NAV	16 Sep 19	4.37	8.59	-3.45	0.63

Performance data shown represents past performance and does not predict or guarantee future results. Current performance may be higher or lower than the data shown. NAV returns are net of fund expenses, and assume reinvestment of distributions.

## Distribution information

Current Distribution (Monthly)	\$0.0685
Average Earnings/Share	\$0.0359
Average Earnings/Distribution Ratio	52.44%
Average UNII Per Share	-\$0.1358
Distribution Rate on NAV	6.80%
Distribution Rate on Market Price	7.45%

Distribution sources may include net investment income, realized gains and return of capital. If a distribution includes anything other than net investment income, the Fund provides a notice of the best estimate of its distribution sources at that time which may be viewed at [nuveen.com/CEFDistributions](http://nuveen.com/CEFDistributions). These estimates may not match the final tax characterization (for the full year's distributions) contained in shareholders' 1099-DIV forms after the end of the year. You should not draw any conclusions about a fund's past or future investment performance from its current distribution rate.

## Credit quality (%)

	% of portfolio
AA	4.7%
A	8.2%
BBB	11.2%
BB	11.5%
B	1.9%
CCC	1.8%
CC	0.1%
Not Rated	60.7%

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. Holdings designated NR are not rated by these national rating agencies.

All characteristics as a percentage of the fund's managed assets (total assets of the fund, minus the sum of its accrued liabilities other than fund liabilities incurred for the express purpose of creating leverage). Holdings and ratings are subject to change. Totals may not add up to 100% due to rounding.

## Fund description

The Fund seeks to provide a high level of current income exempt from regular U.S. federal income tax and secondarily, total return. The Fund invests primarily in high yielding, low- to medium-quality municipal securities that, at the time of investment, are rated Baa/BBB or lower or, if unrated, are judged by the portfolio managers to be of comparable quality. No more than 30% of the Fund's managed assets will be in municipal securities rated CCC+/Caa1 or lower at the time of investment or unrated but judged to be of comparable quality. No more than 10% of the Fund's managed assets can be in defaulted securities or securities of issuers in bankruptcy or insolvency proceedings at the time of investment.

## Portfolio management

Nuveen Asset Management, LLC is the subadvisor to the Fund and an affiliate of Nuveen, LLC.

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

## Important information on risk

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. **Debt or fixed income securities** such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. **Lower credit debt securities** may be more likely to fail to make timely interest or principal payments. **Leverage** increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. These and other risk considerations such as **inverse floater risk** and **tax risk** are described in more detail on the Fund's web page at [www.nuveen.com/NMCO](http://www.nuveen.com/NMCO).

**Average earnings per share** and **average undistributed net investment income (UNII) per share** are estimates, using an average of the last three months, except for preferred securities funds, mortgage-backed securities funds and floating rate funds, which use an average of the last six months.

**Distribution Rates** represent the latest declared regular distribution, annualized, relative to the market price and NAV. Special distributions, including special capital gains distributions, are not included in the calculation.

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.

## Glossary

The **S&P Municipal Yield Index Index** provides a measure of an investing strategy that allocates a specific percentage to bonds rated both above and below investment grade.

**It is not possible to invest directly in an index.**

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