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A TIAA Company

Interval Fund

Municipal - National

Nuveen Enhanced High Yield Municipal Bond Fund

Marketing communication | As of 31 Dec 2024

- **The Fund outperformed the benchmark S&P Municipal Yield Index for the quarter.**
- **The municipal bond market ended 2024 on a weak note, declining along with the broader fixed income markets in the fourth quarter on sticky inflation readings and expectations for a slower pace of interest rate cuts in 2025. Yield rose across the municipal curve, but less so for high yield municipal bonds, which are less interest rate sensitive, causing credit spreads to compress.**
- **The Fund's outperformance was driven by favorable ratings allocations, sector exposures and credit selection, which more than outweighed the negative impact of the portfolio's longer duration.**

Market review

Municipal bond markets were not immune from rate volatility in the fourth quarter, as municipal yields rose and the yield curve steepened. The S&P Municipal Bond Index returned -0.96% in the fourth quarter. In the below investment grade universe, the S&P Municipal Yield Index returned -1.15% for the same period. Municipal yields rose across the curve, with the AAA municipal benchmark interest rates ending December at 3.90% for 30-year maturities. Municipal-to-Treasury ratios fell, and ended the quarter below historical averages.

AAA municipal benchmark interest rates rose by 0.31% for 1-year maturities and 0.46% for 10-year maturities, steepening this segment of the yield curve. The yield curve remained steep from 1 to 30 years. Performance in the S&P Municipal Bond Index was mixed. Bonds maturing in less than two years generated a positive total return. Maturity ranges from two years and longer had negative total returns, and short to intermediate maturities outperformed longer maturities on a relative basis.

Municipal-to-Treasury yield ratios ended the quarter below historical averages. The 10-year ratio increased to 67% as of December 2024, from 59% at the end of December 2023 (versus the long-term average of 84%). The 30-year ratio closed December at 82%, below its historical norms.

Issuance in 2024 was 36% higher than in 2023, with $495 billion of overall issuance compared to $363 billion in 2023. Refunding volume was largely driven by current refunding deals and refinancing through tender offers. Municipal fund flows slowed into year-end, totaling $42 billion for 2024, as high prevailing yields attracted investors.

Credit spreads were mixed in the quarter. High yield spreads tightened from 198 bps to 190 over AAA rated equivalent-maturity municipal bonds. Investment grade BBB spreads were unchanged at 88 bps over AAA. First-time municipal bond defaults totaled $1.8 billion in 2024, a very small percentage of the overall $4 trillion market.

Nuveen Enhanced High Yield Municipal Bond Fund

Portfolio review

The Fund outperformed the benchmark S&P Municipal Yield Index for the quarter. The municipal bond market ended 2024 on a weak note – declining in the fourth quarter after the Federal Reserve signaled a slower pace of rate cuts in 2025 – but still delivered positive returns over the full year, with pronounced outperformance in high yield market. Municipal yields rose across the maturity spectrum in the fourth quarter, and the yield curve continued to normalize. The average yield on high yield municipal bonds increased by a smaller magnitude, given their lower interest rate sensitivity, causing credit spreads to compress. The Fund maintained a meaningfully longer duration than the index, which detracted from relative performance, but the positive offsets from favorable ratings allocations, sector exposures and credit selection more than outweighed the negative impact, resulting in relative outperformance.

The Fund's credit ratings allocations were favorable, particularly the overweight to below investment grade and non-rated bonds, which outperformed significantly as credit spreads tightened. From a sector standpoint, overweights to the outperforming transportation and land secured sectors were advantageous, as were underweights to the lagging industrial development revenue (IDR) and Puerto Rico sectors. The Fund was also underweight the health care sector, which detracted as the sector outperformed, but the Fund benefited from strong credit selection in health care bonds.

Top contributing holdings included Christian Homes, an opportunistic distressed investment in a senior living facility; Florida high-speed passenger rail Brightline; New Jersey shopping and entertainment complex American Dream; PREPA (Puerto Rico Electric Power Authority), a distressed credit whose bond price appreciated in response to a court ruling perceived as favorable to bondholders; and steel products manufacturer Evraz. Security selection in tobacco had a negative impact, as holdings in zero coupon tobacco bonds detracted due to their long duration structures.

Portfolio positioning

The Fund saw positive net cash flows in the fourth quarter, and took advantage of market adjustments, especially amid high yield municipal fund outflows in December, to reinvest the Fund's cash position into longer-term municipal bond positions. The Fund was highly selective in new issue land secured and charter school deals, while also sourcing attractive opportunities in the secondary market during a period of rate volatility and elevated selling by high yield municipal funds in December. There were no changes to the portfolio's overall positioning.

Outlook

2024 was about credit selection and that is unlikely to change in the coming year. But we also expect duration to become more of a tailwind in 2025, driven by investor demand as yields stay higher for longer. Interest rate volatility is likely to persist in 2025 as the Fed continues to monitor the path of inflation and growth, with uncertainty due to the likely tax cuts and looser fiscal policy under the Trump administration. Municipal credit looks strong, even as revenue collections are normalizing, which could drive further spread compression especially for high yield municipals, where valuations have remained wide of pre-pandemic tights.

We expect higher yields and credit exposures to continue to drive excess returns through a period of elevated rate volatility in the coming year, and to continue to provide the offsets necessary to produce outperformance. While high yield spreads narrowed in 2024, there is still potential for further compression in many – but not all – areas of the high yield municipal market. Elevated high yield supply still provides credit selection opportunities for the Fund, allowing the portfolio to remain positioned with wider credit spreads and higher embedded yields than the market average. If fund flows continue to be positive for high yield municipal funds this year, as they were in 2023, we expect to see further spread compression. Credit quality remains exceptionally strong across much of the municipal market, except in tobacco (where the Fund maintains an underweight exposure) as consumption has declined significantly.

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For more information visit nuveen.com

Important information on risk

Investing in interval funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. 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 issuers ability to make interest and principal payments when due. The Fund concentrates in non-investment grade and unrated bonds, as well as special situations municipal securities, with long maturities and durations which carry heightened credit risk, liquidity risk, and potential for default. In addition, the Fund oftentimes utilizes a significant amount of 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. An interval fund is a non-diversified, closed-end management investment company that continuously offers its common shares. An interval fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the fund will achieve its investment objectives. An interval fund's performance and the value of its investments will vary in response to changes in interest rates, inflation, the financial condition of a security's issuer, ratings on a security, perceptions of the issuer, and other market factors. Common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of fund dividends and distributions. These and other risk considerations are described in more detail on the Fund's web page at www.nuveen.com/HYIF.

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.

Certain information was obtained from third party sources, which we believe to be reliable but not guaranteed for accuracy or completeness. Clients should consult their financial professionals regarding any unknown terms or concepts.

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. **Leverage adjusted effective duration** is the Fund's average effective duration adjusted for the impact of the Fund's utilization of leverage in the form of senior securities as defined by Section 18 of the Investment Company Act of 1940. Funds that utilize leverage in the form of senior securities will have a leverage adjusted effective duration that is longer than its baseline effective duration. **Leverage** is created whenever a fund has investment exposure (both reward and/or risk) equivalent to more than 100% of the investment capital. **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 shortterm rates. When short-term rates are higher than long term rates, this is called an "inverted" yield curve. **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. **It is not possible to invest directly in an index.**

Before investing, carefully consider fund investment objectives, risks, charges and expenses. For this and other information that should be read carefully,please request a prospectus, and if available, a summary prospectus, from your financial professional or Nuveen at 800.257.8787 or visit nuveen.com.

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