

# **Nuveen Enhanced High Yield Municipal Bond Fund**

Marketing communication | As of 30 Sep 2025

- The Fund underperformed the benchmark S&P Municipal Yield Index for the quarter.
- After underperforming the broad taxable bond market in the first half of 2025, municipal bonds rebounded in the third quarter and have returned to positive performance year-to-date. Much of the rally occurred in September when interest rates fell in anticipation of the Federal Reserve renewing its rate-cutting cycle. Further support came from accelerating inflows into municipal funds over the quarter. The municipal yield curve remained steep, and longer maturities outperformed shorter maturities. Investment grade outperformed high yield municipals, although there wasn't a wide variation in returns across credit rating categories.
- The Fund's relative performance was primarily dragged by underperforming positions in Brightline and American Dream, despite positive contributions from selection across other sectors and credits. The Fund's lower exposure to higher-beta high yield credits, such as Puerto Rico, that led the high yield market's rally in September was another headwind.

#### **Market review**

Municipal bonds outperformed the broad fixed income market in the third quarter, driven by the return of shareholder inflows. The S&P Municipal Bond Index returned 2.85% in the quarter, and the below investment grade universe, as represented by the S&P Municipal Yield Index, returned 2.61%.

In the third quarter, 10-year AAA municipal yields fell 34 basis points (bps), while the 10-year Treasury yield was down 8 bps. The municipal yield curve remained steep during the quarter, with longer maturities outperforming shorter maturities. 20-year AAA municipal yields declined 30 bps while 1-year AAA municipal yields were 19 bps lower.

The benchmark 5-, 10- and 30-year ratios have averaged 65%, 68% and 87% respectively since the interest rate sell-off bottom on 31 Oct 2023. Current ratios of 60%, 70% and 90% are slightly richer than last quarter's start but remain well below year-beginning levels and meaningfully cheaper than recent history. Notably, while the front end has richened, significant value persists at longer maturities.

Although supply cooled in the third quarter, year-to-date issuance of \$428 billion remains 14% higher than last year. On the demand side, a third quarter surge of \$8.8 billion brought year-to-date flows to \$31.6 billion, including \$20.2 billion in long and intermediate funds.

## **Nuveen Enhanced High Yield Municipal Bond Fund**

### Portfolio review

The Fund underperformed the benchmark S&P Municipal Yield Index for the quarter. The underperformance of positions in high-speed passenger rail project Brightline and New Jersey megamall and entertainment complex American Dream were the main detractors from relative performance. A deferred interest payment on one of Brightline's lien bonds weighed on prices across all its bonds. The Fund has continued to reduce its exposure to Brightline this year. American Dream's bond price fell following a surprise reduction in the project's appraisal value.

In the year-to-date prior to September, the portfolio's overall longer duration versus the benchmark was the primary detractor from relative performance. However, in September, duration became the largest positive contributor as the market rallied. This resulted in a mixed performance impact for the quarter overall.

The Fund's larger allocation to below investment grade and non-rated bonds, which lagged investment grade, also detracted from relative performance in the quarter.

From a sector perspective, the Fund benefited from overweights to outperforming sectors, including land secured and charter schools, and an underweight in industrial development revenue bonds, which underperformed. Conversely, an underweight to health care, which outperformed, had a negative impact on performance.

An underweight to Puerto Rico detracted from relative performance, as Puerto Rico and other higher beta credits led the high yield market's rally in September. However, our tactical trading in Puerto Rico bonds added to performance as the total return of the positions we owned averaged 12% over the quarter. In higher volatility market environments, the Fund may tactically trade certain credits like Puerto Rico to seek to capture gains from short-term dislocations in market pricing. This trading helped partially offset the detraction from Brightline and American Dream.

Other positive contributing holdings included certain positions in distressed health care, Colorado land secured projects and The Stanley Hotel (Colorado).

### **Portfolio positioning**

Steady investor cash inflows during the quarter allowed the Fund to participate in the higher-than-usual new issue supply in July and August, where the Fund added land secured and charter school credits, as well as execute tactical trading in Puerto Rico credits, as described in the portfolio review section. The Fund also saw an outflow during the quarter from an investor redemption driven by mid-year tax-loss harvesting. As an interval fund, redemption windows are offered once per quarter, and this quarter's redemption period, in July, aligned with a bottom in the market. While the Fund had sufficient liquidity to meet the redemption, this timing was beneficial as it gave the Fund the opportunity to selectively sell lower book yield positions that not only helped meet the redemption but also harvest tax advantages for the Fund itself.

#### **Outlook**

Following an 18-month period of underperformance, the municipal market appeared to be at an inflection point in the third quarter of 2025. Investors began to recognize the market's historically high yields, attractive valuations and strong credit fundamentals on offer. Clarity on federal policy, including the preservation of the municipal tax exemption, and the Federal Reserve's shift toward interest rate cuts have removed two significant overhangs while technical headwinds are easing, with demand for duration gaining momentum and supply moderating in a seasonally slower fourth quarter. This environment presents an attractive entry point for investors.

Although technical conditions have turned positive since the rally in September, high yield municipal bonds have lagged investment grade. Nonetheless, we expect high yield municipal bonds to perform well in the fourth quarter. The Fund is poised to benefit from a larger contribution to its income from the use of leverage as borrowing costs have come down. We also expect credit spread compression to expand to other sectors — including land secured, charter schools and senior living, where the Fund holds key conviction positions — as the market has more time to trade a higher number of issues with fund flows continuing to build for mutual funds. We believe this can provide a strong tailwind to the high yield municipal market.

## Nuveen Enhanced High Yield Municipal Bond Fund

#### 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.

800.752.8700 | nuveen.com 4868228