

Intermediate Term Municipal

Marketing communication | As of 30 Jun 2024

- **The Bloomberg 3-15 Year Blend Index, the benchmark for the Intermediate-Term strategy, returned -0.45% during the second quarter as its average yield increased by 0.32% to 3.50%.**
- **Allocation attribution by duration, rating and sector detracted, while security selection contributed to relative performance.**
- **The investment team intends to favor premium, high quality, call-protected bonds for a core portion of the portfolios and seek opportunities to enhance income through favorable security structures and/or sectors.**

Market review

The muni bond market is supported by above-average yields, strong fundamentals, and an improving technical backdrop. Favorable technical conditions for municipals are anticipated later this year, as continued reinvestment income combines with slower issuance. First quarter U.S. GDP showed an unwelcome mix of weak growth and high inflation. We're penciling in a slowdown to around 2% by year end, which is still a decent level of growth. Overall, core inflation is approaching 'normal.' Goods inflation is fully normalized around zero, housing has decelerated to a cyclical low (though it remains elevated on an annualized basis) and non-housing core services has dropped to around 3% annualized. Fed funds futures are pricing in two rate cuts this year, with the first one projected to come the day after the U.S. election.

A U.S. Federal Reserve rate cut in the fourth quarter would likely drive inflows as investors seek to lock in yields. As of the week ended 6/26/24 open-end municipal bond funds had net new cash inflows of \$10.55 billion, of which only \$150 million were added in the second quarter. This marks a rebound from the last six months of 2023 when investors withdrew -\$23.50 billion from the funds, according to the Investment Company Institute. Municipal-to-Treasury yield ratios moved slightly cheaper during the quarter amid the increase in issuance. The 5-, 10- and 30-year AAA ratios remain lower than historical averages, at 67%, 65% and 83%, respectively.

Intermediate Term Municipal

Yields on the MMD AAA-Rated GO Benchmark mostly rose during the second quarter by -0.09%, 0.35%, 0.33%, 0.08%, 0.04% on maturities of 1, 5, 10, 20, and 30 years, respectively. The Bloomberg Main Index delivered a total return of -0.02% during the second quarter of 2024 as the average yield increased by 0.22% to 3.71%. Indices of longer maturities outperformed due to their strong starting yields and modest rise in benchmark muni yields relative to intermediate indices. For example, the Long (22+) Index returned 0.83% as its yield increased by 0.04% to 4.23%, while the Short/Intermediate (1-10) Index returned -0.31% as its yield increased by 0.30% to 3.41%.

The Bloomberg 3-15 Year Blend Index, the benchmark for the Intermediate-Term composite, returned -0.45% during the second quarter as its average yield increased by 0.32% to 3.50%. Its negative performance was driven by its concentration to underperforming maturity ranges: 5 to 7 (-0.72%), 7 to 10 (-1.05%) and 10 to 12 (-0.91%). Similarly, the Index is concentrated on highly rated bonds, which include AAA/Aaa (-0.62%) and AA/Aa (-0.55%). The remaining categories in the Index outperformed and helped performance: A/A (-0.14%), BBB/Baa (0.44%) and Unrated (0.53%).

Portfolio review

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, rating and sector were unfavorable as the composite was underweight in durations of less than 4 years; overweight in bonds rated AA/Aa; and underweight in industrial development bonds while being overweight in leasing bonds. Security selection drove relative performance as the average return of the main duration range within the composite, 6 or more years (-0.60%), outperformed the same duration range for the Index (-0.79%). This effect is augmented by the difference in weightings in the 6 or more years duration range between the composite (49%) and the Index (32%).

Portfolio positioning

Nuveen Asset Management has been emphasizing higher-rated bonds (AAA and AA underlying), but have also been marginally increasing exposure to A-rated bonds while modestly lengthening duration. Investors receive the higher income typically associated with longer-dated bonds while earning additional total return through a combination of declining rates and rolling down the yield curve. The yield curve should steepen with Fed action expected later this year. Such an environment should be positive for longer-duration bonds. The investment team intends to favor premium, high quality, call-protected bonds for a core portion of the SMA composites and seek opportunities to enhance income through favorable security structures and/or sectors.

Intermediate Term 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.

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 be relied 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. **The Bloomberg 3-15 Year Blend Municipal Bond Index** is an unmanaged index composed of investment-grade municipal securities ranging from 2 and 17 years in maturity. 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.