

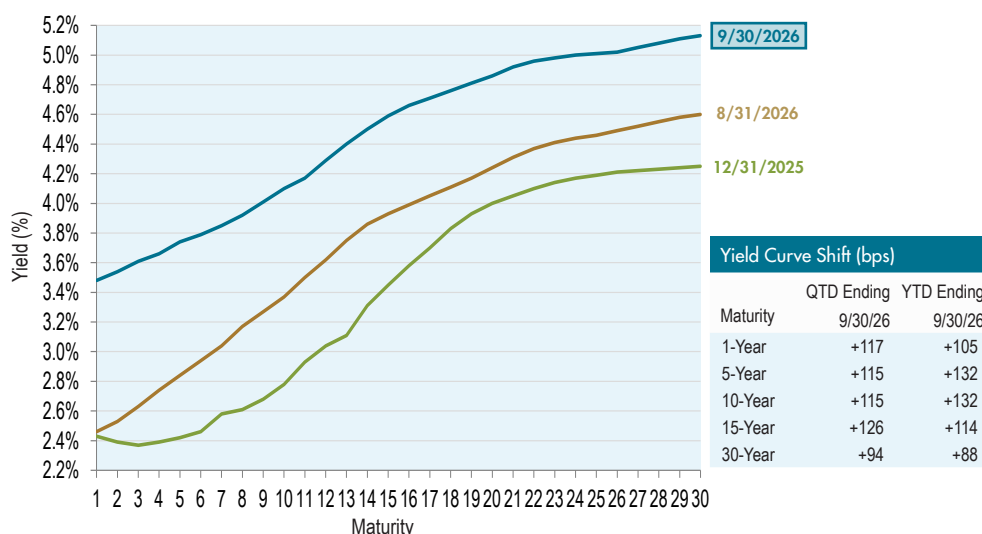
WHY INVESTORS SHOULD LOOK FORWARD AFTER THE RECENT MUNI SELLOFF

Municipal bonds have felt the pressure of a steady climb in Treasury yields, leaving the Bloomberg 10-Year Municipal Bond Index on track to post the second worst loss in 30 years, behind the first quarter of 2022. A resilient economy, mounting deficit concerns, and competition for investor capital from the AI buildout have all contributed to the upward pressure on rates. Oil prices have added to the strain amid escalating Middle East tensions. The market has pivoted from expecting rate cuts in 2026 to anticipating further tightening ahead.

Municipals sold off alongside Treasuries and were further strained by muni-specific dynamics. Rich starting valuations left little cushion when rates moved higher, while record new-issue supply and heavy tax-loss harvesting weighed on the market as the quarter progressed. The losses were most pronounced in intermediate and longer maturities, where fewer buyers were available to absorb the increased selling pressure. The correction was persistent but orderly and not driven by any deterioration in credit.

Through September 30, the 10-year AAA municipal yield had risen 115 basis points during the quarter and 132 basis points year to date (**Figure 1**), bringing it to more than 100 basis points above its 5-year, 10-year, or 20-year average and to the highest level since 2008. The large rise in yields leaves the Bloomberg 10-Year Municipal Bond Index down -6.07% for the quarter and -5.04% for the year but has created one of the most attractive yield environments in decades.

FIGURE 1
A Sharp Move Higher in Municipal Yields
As of September 30, 2026



Sources: Municipal Market Data (MMD) AAA Municipal Curve, Bloomberg.
GW&K assumes no responsibility for the accuracy of the data provided by outside sources.



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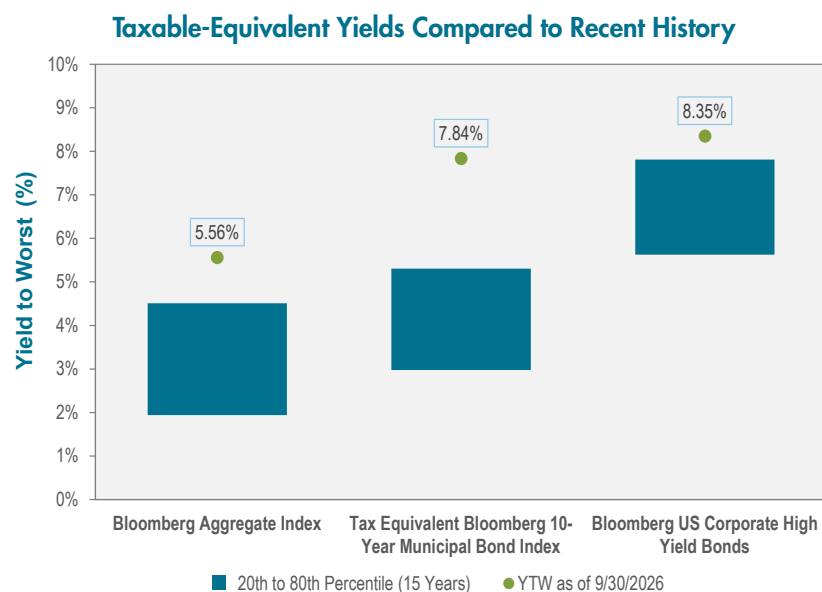
Why stay invested in muni bonds?

- Municipal yields are near two-decade highs, which can offer investors substantially more income and stronger forward return potential than in recent years.
- Higher starting yields provide a larger cushion against future rate volatility and additional increases in interest rates.
- Municipals continue to provide diversification relative to equities, while today's yields make them a more compelling source of portfolio income.

The selloff has left investors with a meaningfully different starting point. On September 30, the 10-year AAA tax-exempt yield closed at 4.10%, one of its highest levels since 2008.

Municipal yields now compare favorably with other fixed income markets on a taxable-equivalent basis (**Figure 2**). The increase in yields has also occurred while municipal credit fundamentals remain resilient.

FIGURE 2
Investment Grade Muni Yields Rivaling High Yield Corporates
As of September 30, 2026



Sources: GW&K Investment Management, Bloomberg, and Macrobond.
Indexes used in this illustration represent the Bloomberg Aggregate Bond Index, the Bloomberg 10-Year Municipal Bond Index and the Bloomberg US Corporate High Yield Index. Data as of 9/30/2026. Tax-Equivalent data assumes 37.0% federal tax rate + 3.8% ACA surtax.

“Municipal yields now compare favorably with other fixed income markets on a taxable-equivalent basis.”

Higher starting yields also change the return profile. Bond prices can still decline if rates rise further, but higher income can offset more of the price impact over time. **Figure 3** illustrates how the current starting point provides a larger cushion against additional rate increases while preserving meaningful upside if rates decline.

FIGURE 3
Higher Starting Yields Provide More Cushion if Rates Rise
As of September 30, 2026

	Interest Rates Decline			Interest Rates Rise	
	Decline 100 (bps)	Decline 50 (bps)	No Change	Increase 50 (bps)	Increase 100 (bps)
Index Price Return	6.52%	3.26%	0.00%	-3.26%	-6.52%
Yield to Worst	3.64%	4.14%	4.64%	5.14%	5.64%
Total Return	10.16%	7.40%	4.64%	1.88%	-0.88%

Investors benefit from both the income earned and increased bond prices when rates decline.

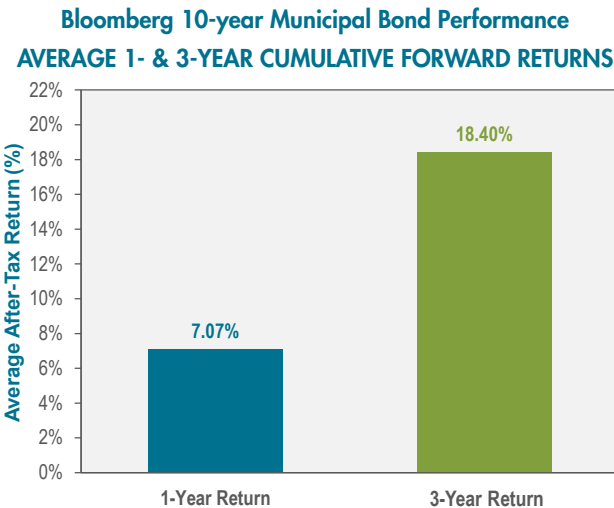
Today's higher yields and income help offset the potential decline in bond prices if rates rise.

Source: Municipal Market Data. Please see last page for full disclosure statement.

History provides useful context for the importance of starting yield. During prior periods when municipal yields were near current levels, forward returns were generally attractive (**Figure 4**).

Past returns are not a forecast, but the relationship between starting yield and subsequent returns is worth noting. After the recent selloff, investors gained considerably more income than just a few months ago.

FIGURE 4
Investment Grade Muni Forward Returns: Historically Attractive From These Yield Levels
As of September 30, 2026



- Month-end Yield Range of 3.90% – 4.30%.
- The 10-Year AAA Muni was 4.10% as of September 30, 2026 — well above 25-year averages.
- In the last 25 years, when rates reached this level the forward returns in the municipal bond market have been compelling.*

Sources: Federal Reserve and FactSet. Please see bottom of page for full disclosure statement.
*Indicates a yield range of 3.90% – 4.30% at month-end.

A More Constructive Starting Point for Municipal Investors

The recent selloff has pushed municipal yields to levels rarely seen in the last two decades, materially improving the starting point for investors. Higher income now provides a larger cushion if rates move higher, while lower rates would add price appreciation to an already stronger income base. With credit fundamentals still solid, we view the current market as one of the more attractive municipal entry points in recent history.

Decades of Experience in Active Fixed Income Management

Since 1974, GW&K has actively managed fixed income portfolios through changing interest-rate environments, economic cycles, and market conditions. Our investment professionals seek to identify relative value opportunities, manage risk, and adapt portfolios as markets evolve — all with a focus on helping clients achieve their long-term investment objectives. To learn more about GW&K's actively managed taxable and municipal fixed income strategies, please contact your GW&K representative or visit www.gwkinvest.com.

DISCLOSURES:

Figure 3: Higher Starting Yields Provide More Cushion if Rates Rise

The information provided is hypothetical and for illustrative purposes only. The projections reflect a Yield to Worst of 4.64% and an Option Adjusted Duration of 6.52 for the Bloomberg 10-Year Municipal Bond Index as of 9/30/2026. Returns are modeled over a 12-month period, assuming immediate and sustained interest rate shifts of +100 bps, +50 bps, 0 bps, -50 bps, and -100 bps. Calculations do not account for any spread widening or tightening that may occur and they do not take into account the potential benefits of active management on a portfolio. Additionally, the calculations do not account for the deduction of advisory fees and other expenses or other potentially material economic or market factors which could impact investment performance. The hypothetical results shown do not represent actual or back-tested performance. Hypothetical scenarios have inherent limitations and differ from actual performance, as they reflect model-based outcomes created with the benefit of hindsight. No portion of this illustration, including potential impact to the performance resulting from events described, is guaranteed. The interest rate scenarios provided are intended to present a variety of potential market moves but are not meant to be predictive. For informational purposes only; not intended to be used as investment advice and should not be relied on as such. This is not a solicitation to buy or an offer to sell securities. Information presented is subject to change based on changing market conditions. Data is believed to be from reliable sources, but its accuracy cannot be guaranteed.

Figure 4: Forward Returns Have Historically Been Attractive From These Yield Levels

Cumulative returns shown above were calculated on a monthly basis. All results reflect the reinvestment of dividends and income. Investors may experience higher or lower returns, and there is the potential for loss. Returns are gross of management fees, transaction costs, and applicable taxes. This material is for informational purposes only and does not constitute investment advice or a recommendation. Please refer to additional disclosures at the end of this presentation. Past performance is no guarantee of future results. Investors may experience higher or lower returns, and there is the potential for loss. Returns are gross of management fees, transaction costs, and applicable taxes. This material is for informational purposes only and does not constitute investment advice or a recommendation. Past performance is no guarantee of future results.

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