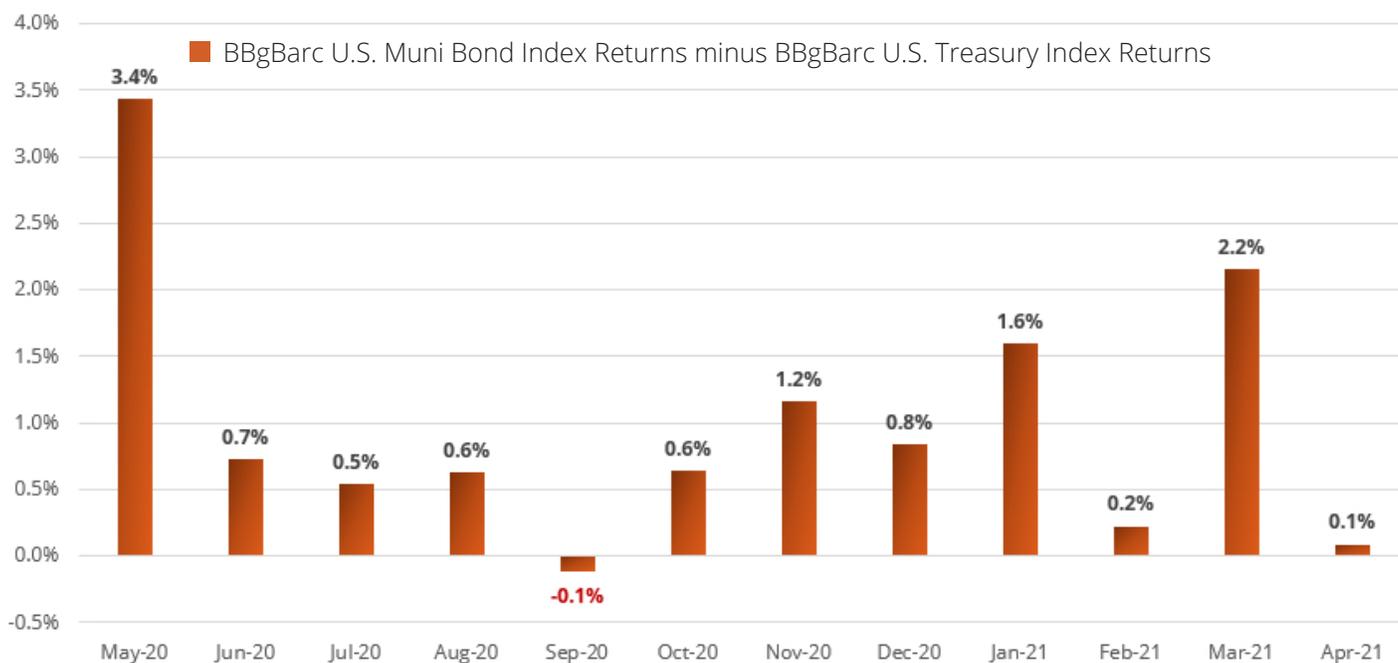


Municipal Bonds Are in Investors' Sweet Spot As They Have Outperformed Treasuries 11 of the Past 12 Months



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- Municipal bonds had a severe sell off in March 2020, as there were concerns about how municipalities would handle the COVID-19 shutdown. But they have roared back over the past year, as visibility has improved.
- Money surged into municipal bonds after the November election, as investors anticipated the potential for higher marginal tax rates. Over \$40 billion has moved into municipal bond funds and ETFs so far this year, supported by the Biden Administration's proposal to raise the highest Federal tax bracket from the current 37% to 39.6%.
- From the Presidential election last year through the end of April, municipal bonds gained 2.6%. This compares favorably to returns from U.S. Core fixed income (-1.5%), U.S. Treasuries (-3.3%), and U.S. Investment grade bonds (-0.6%). Municipal and corporate high yield bonds had similar gains of approximately 7.3% during the same period.
- Municipal bonds have other attractions as well. According to data from Moody's, investment grade municipal bonds have had very low default levels over the past 50 years, while high yield municipal bonds default much less often than global high yield bonds. Municipal bonds have also been resilient in down markets, with negative returns in only two of the last 20 years, according to a study by T. Rowe Price.



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Fund investments in lower-quality bonds, known as high-yield bonds or junk bonds, present greater default risk than bonds of higher quality, and income generated from these bonds may be subject to the federal alternative minimum tax.

DEFINITIONS:

The Bloomberg Barclays U.S. 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 Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

The Bloomberg Barclays U.S. Aggregate Bond Index, which is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

Bloomberg Barclays U.S. Corporate Total Return Index. The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

ICE BofA US Municipal High Yield Index Total Return Index tracks the performance of US dollar denominated below-investment grade rated corporate debt publicly issued in the US domestic market.

ICE Bank of America Merrill Lynch U.S. High Yield Master II Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

You cannot invest directly in an index or category and unmanaged index or category returns do not reflect any fees, expenses, or sales charges.

High Yield Municipal Bonds are bonds issued by state or local governments that are unrated by the major rating agencies or that have credit ratings that are below investment grade.

Investment grade is a rating that signifies a municipal or corporate bond presents a relatively low risk of default.

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