



CONCURRENT

Municipal Monitor

June 30, 2025

Disclosure

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Market Update

Key Takeaways

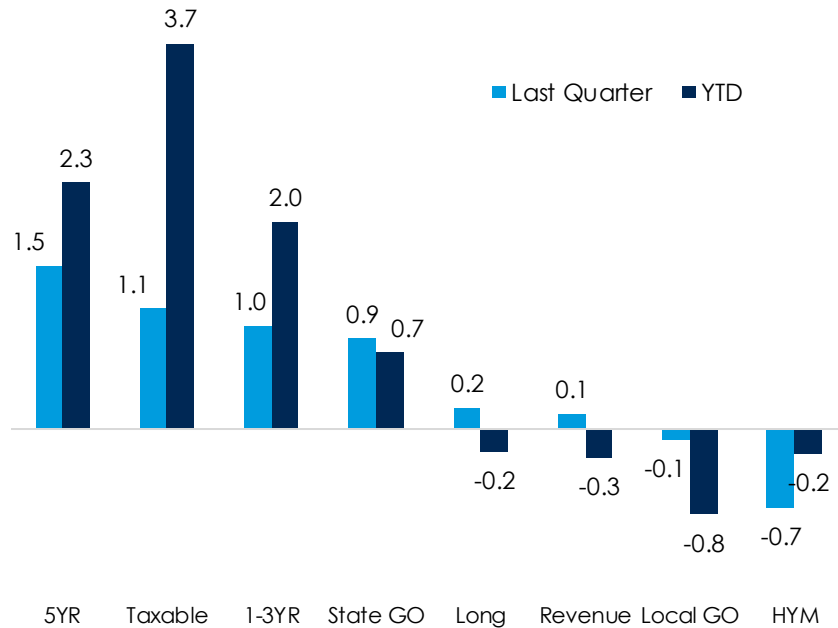
- **Performance:** Munis rebounded in the second quarter, led by strong gains in the intermediate part of the curve. This segment outperformed across the tax-exempt space
- **Curve:** The curve steepened as long rates rose, and short rates declined. Duration exposure was the primary driver of returns
- **Technicals:** Fund flows recovered meaningfully after Liberation Day outflows, providing price support through improved demand
- **Valuations:** Relative value normalized to average levels for maturities inside 10 years

State of the Markets

The municipal yield curve continued to 'bear-steepen' with the long end up 30bps and short end down 20bps during the quarter. Spreads held steady. Rate volatility has been the dominant driver of performance this year. Long duration sectors, including high yield, have underperformed as a result.

Despite reduced volatility, municipal yields remain compelling. Intermediate municipal allocations offer a 4.8% tax-equivalent yield with nearly two years less duration than the US Agg, which yields 4.7%. Given the steepening of the curve and persistent long-end rate risk, the asset class continues to offer strong risk-adjusted value.

Performance



Key Characteristics

Index	Yield to Worst	TEY	Duration
Municipal 1-3 Yr	2.8	4.5	1.7
Municipal 5 Yr	3.0	4.8	3.7
Municipal	3.9	6.3	6.8
Municipal State GO	3.4	5.4	4.9
Municipal Revenue	4.1	6.4	7.1
Taxable Municipal	5.4	8.6	9.8
HY Muni	5.9	9.3	10.7

Source: Factset, as of June 30, 2025.

Tax Equivalent Yield ("TEY") is calculated as $yield / (1 - tax\ rate)$, and assumes a 37% tax bracket.

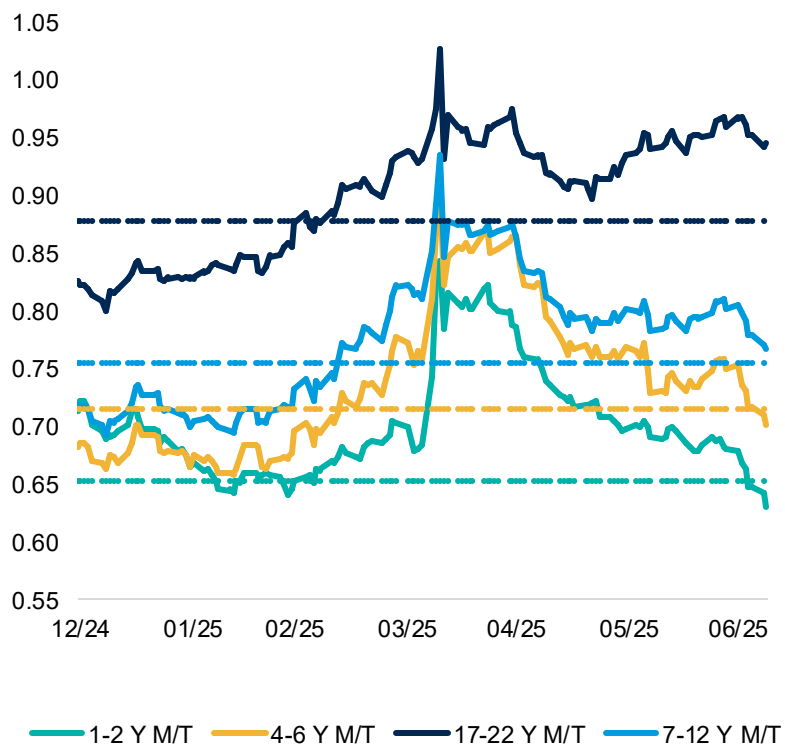
Source: Morningstar Direct, as of June 30, 2025.

Markets Can Change, Fast

Investors may recall municipal yields spiked in April amid tariff-driven rate volatility and broad outflows, creating a temporary dislocation relative to Treasuries. Valuations normalized during the second quarter, but ratios between 4 – 12 years remain modestly elevated versus the start of the year.

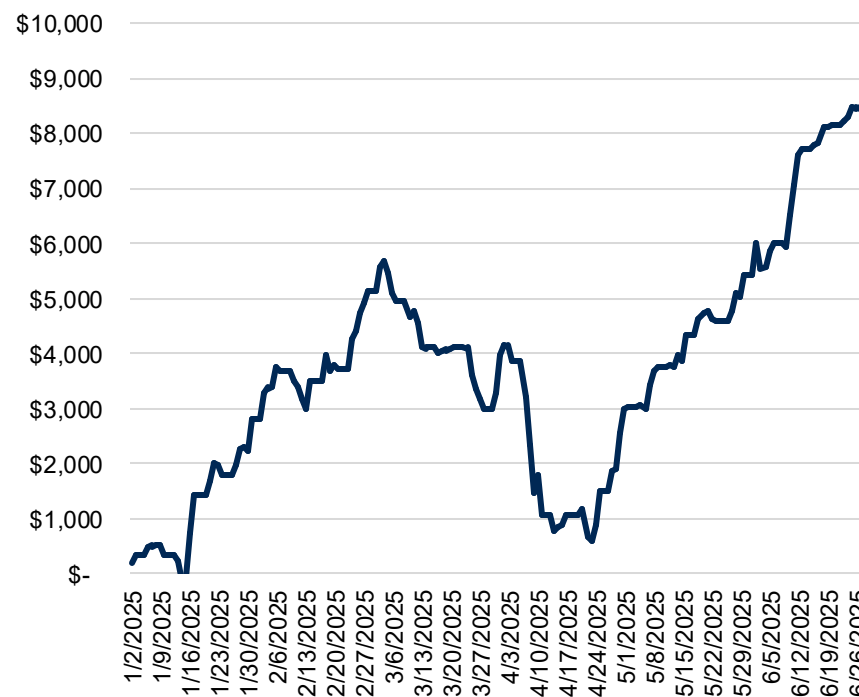
Tariff announcements on Liberation Day triggered sharp outflows as investors rotated to cash, gold, and US equities. At the same time, municipal supply remained elevated, driven by deferred infrastructure financing and urgency to issue ahead of policy uncertainty. Demand rebounded quickly, absorbing the excess supply and stabilizing prices.

Muni / Treasury Ratios



Source: Factset, as of June 30, 2025.

Muni ETF Cumulative Flows (mm)

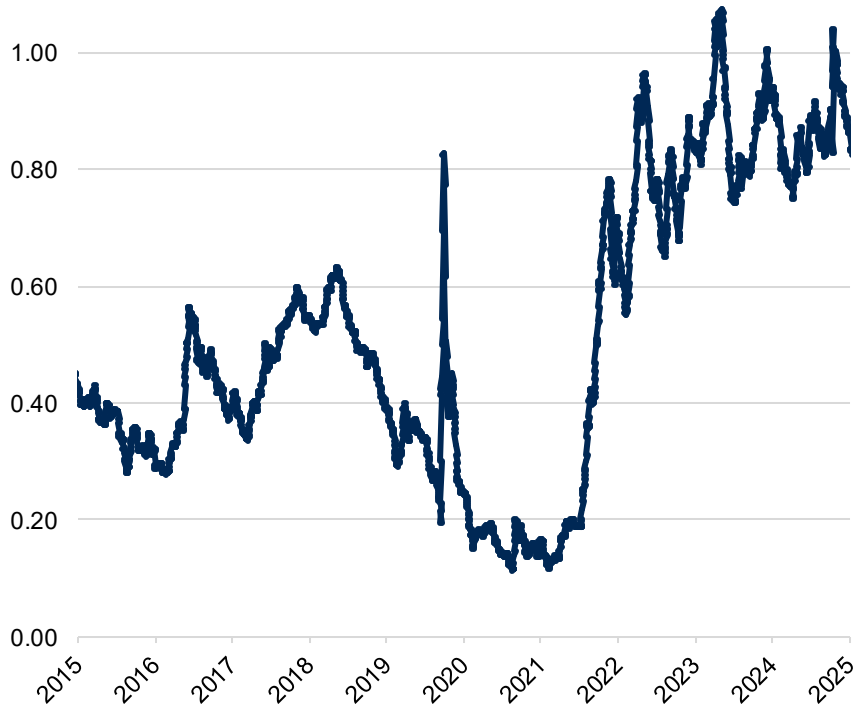


Source: Morningstar, as of June 30, 2025.

Volatility in Context

Markets have been volatile. However, we find there to be historically meaningful downside protection in the intermediate part of the curve. It would take a rate increase of over 80bps to produce a negative return for the asset class. Intermediate breakeven change in yield remains the highest it has been since 2019.

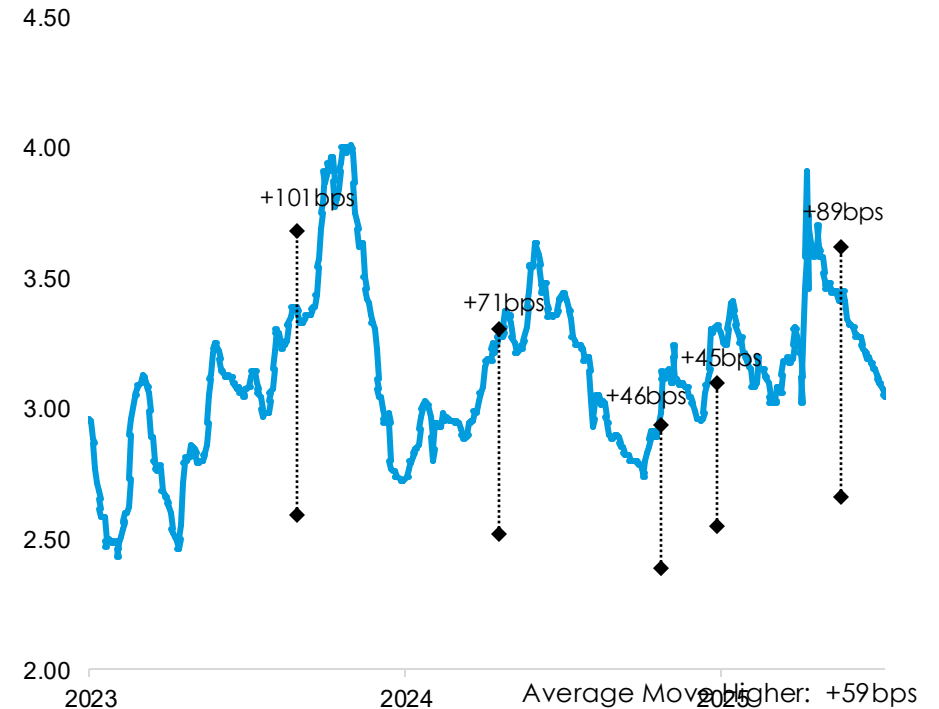
Intermediate Breakeven Change



Source: Factset, as of June 30, 2025.

Let's put that into context. Since rates hikes began in 2022, the average move higher has been 59bps. With current breakeven level of about 80bps, the asset class may be well positioned to absorb average rate volatility without producing negative returns.

Muni 5YR Yield to Worst

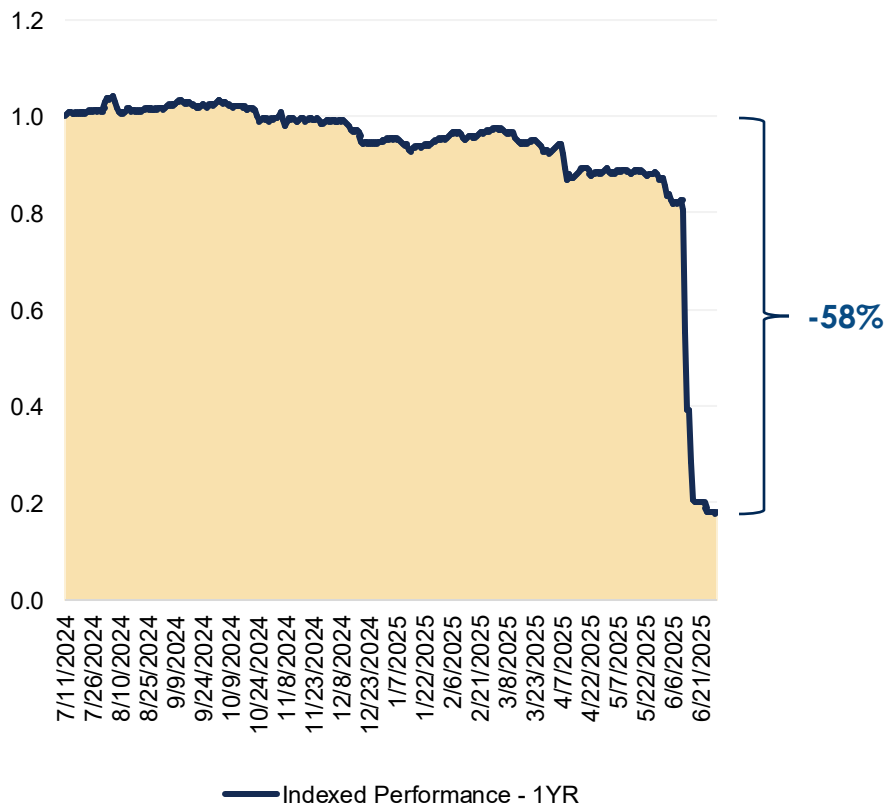


Source: Factset, as of June 30, 2025.

High Yield Case Study

The high yield market saw a 'fire sale' in June, though the event was isolated. The Easterly ROCmuni fund liquidated large holdings at steep discounts. Nearly 84% of the portfolio consisted of speculative, illiquid project finance deals. These deals lacked transparent pricing because they do not trade frequently and lacked resources for timely disclosure. As a relatively small fund within the peer group, this event is unlikely to cause broader market contagion.

Easterly ROCmuni High Inc



The recent demise of the Easterly fund highlights the importance of our process. We target managers with clear competitive advantages in their asset classes. Our managers' underwriting discipline, continuity, and active positioning in primary and secondary markets aim to deliver better outcomes. Combined with liquidity provisions at both the portfolio and security level, this approach helps mitigate the unique risks of the asset class.

Concurrent Investment Recommended Managers



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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise noted. Each index is unmanaged, and investors can not actually invest directly into an index:

Intermediate Muni: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index

High Yield Municipals: Bloomberg Muni High Yield Total Return Index

AAA Yield Curve: S&P US Muni AAA Curve

1-2 Y M/T: ICE BofA US General Obligation Municipal Securities (1-2 Y) - Yield to Worst / US Benchmark Bond - 1 Year - Yield

4-6 Y M/T: ICE BofA US General Obligation Municipal Securities (4-6 Y) - Yield to Worst / US Benchmark Bond - 5 Year - Yield

7-12 Y M/T: ICE BofA US General Obligation Municipal Securities (7-12 Y) - Yield to Worst / US Benchmark Bond - 10 Year - Yield

17-22 Y M/T: ICE BofA US General Obligation Municipal Securities (17-22 Y) - Yield to Worst / US Benchmark Bond - 20 Year - Yield

HYM - AAA Spread: Bloomberg Muni High Yield Total Return Index Yield to Worst - Bloomberg Municipal Bond AAA Total Return Index Yield to Worst

AAA: Bloomberg Municipal Bond AAA Total Return Index Yield to Worst

AA: Bloomberg Municipal Bond AA Total Return Index Yield to Worst

A: Bloomberg Municipal Bond A Total Return Index Yield to Worst

BBB: Bloomberg Municipal Bond BBB Total Return Index Yield to Worst

HY: Bloomberg Muni High Yield Total Return Index Yield to Worst

Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Index & Benchmark Definitions

Fixed Income

- **Bloomberg U.S. Aggregate Index** covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.
- **Bloomberg U.S. Corporate High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.
- **The Bloomberg Municipal Bond 1-3 Year Index** is another benchmark index used to track the performance of municipal bonds with maturities ranging from 1 to 3 years. Municipal bonds are debt securities issued by state and local governments to finance public projects such as roads, schools, and infrastructure.
- **The Bloomberg Municipal Bond 5-Year (4-6) Index** is a benchmark index used to track the performance of municipal bonds with maturities ranging from 4 to 6 years. Municipal bonds are debt securities issued by state and local governments to finance public projects such as roads, schools, and infrastructure.
- **Bloomberg Muni Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. Bonds must be rated investment-grade by at least two ratings agencies.
- **Bloomberg High Yield Municipal Bond Index** covers the universe of fixed rate, non-investment grade debt.
- **The Bloomberg Municipal Revenue Bond Index** is a benchmark index used to track the performance of municipal revenue bonds. Municipal revenue bonds are a type of municipal bond that is backed by the revenue generated from specific projects or facilities, such as toll roads, airports, utilities, hospitals, or other revenue-generating infrastructure.
- **The Bloomberg State General Obligation (GO) Index** is a benchmark index used to track the performance of state general obligation bonds. State general obligation bonds are municipal bonds issued by state governments and backed by the full faith and credit of the issuing state. They are considered one of the safest types of municipal bonds because they are backed by the taxing power of the state government.
- **The Bloomberg Local General Obligation (GO) Index** is a benchmark index used to track the performance of local general obligation bonds. Local general obligation bonds are municipal bonds issued by local governments, such as cities, counties, or other local authorities, and backed by the full faith and credit of the issuing local government.
- **The ICE BofA US General Obligation Municipal Securities (1-2 Y) Index**, formerly known as the Merrill Lynch US General Obligation Municipal Securities (1-2 Y) Index, is a benchmark index used to track the performance of US general obligation municipal securities with maturities ranging from 1 to 2 years.
- **The ICE BofA US General Obligation Municipal Securities (4-6 Y) Index**, formerly known as the Merrill Lynch US General Obligation Municipal Securities (4-6 Y) Index, is a benchmark index used to track the performance of US general obligation municipal securities with maturities ranging from 4 to 6 years.

Index & Benchmark Definitions

Fixed Income

- **The ICE BofA US General Obligation Municipal Securities (7-12 Y) Index**, formerly known as the Merrill Lynch US General Obligation Municipal Securities (7-12 Y) Index, is a benchmark index used to track the performance of US general obligation municipal securities with maturities ranging from 7 to 12 years.
- **The ICE BofA US General Obligation Municipal Securities (17-22 Y) Index**, formerly known as the Merrill Lynch US General Obligation Municipal Securities (17-22 Y) Index, is a benchmark index used to track the performance of US general obligation municipal securities with maturities ranging from 17 to 22 years.
- **The Bloomberg Municipal Bond AAA Total Return Index** is a benchmark index used to track the performance of AAA-rated municipal bonds in the United States. Municipal bonds are debt securities issued by state and local governments to finance public projects such as roads, schools, and infrastructure. Bonds with AAA ratings are considered to have the highest credit quality, indicating a low risk of default.
- **The Bloomberg Municipal Bond AA Total Return Index** is a benchmark index used to track the performance of AA-rated municipal bonds in the United States. Municipal bonds are debt securities issued by state and local governments to finance public projects such as roads, schools, and infrastructure. Bonds with AA ratings are considered to have high credit quality, indicating a lower risk of default compared to lower-rated bonds.
- **The Bloomberg Municipal Bond A Total Return Index** is a benchmark index used to track the performance of A-rated municipal bonds in the United States. Municipal bonds are debt securities issued by state and local governments to finance public projects such as roads, schools, and infrastructure. Bonds with A ratings are considered to have a relatively high credit quality, indicating a lower risk of default compared to lower-rated bonds.
- **The Bloomberg Municipal Bond BBB Total Return Index** is a benchmark index used to track the performance of BBB-rated municipal bonds in the United States. Municipal bonds are debt securities issued by state and local governments to finance public projects such as roads, schools, and infrastructure. Bonds with BBB ratings are considered to have a moderate credit quality, indicating a higher risk of default compared to higher-rated bonds.