

Municipal Bonds Recent Performance

Advisor discussion points

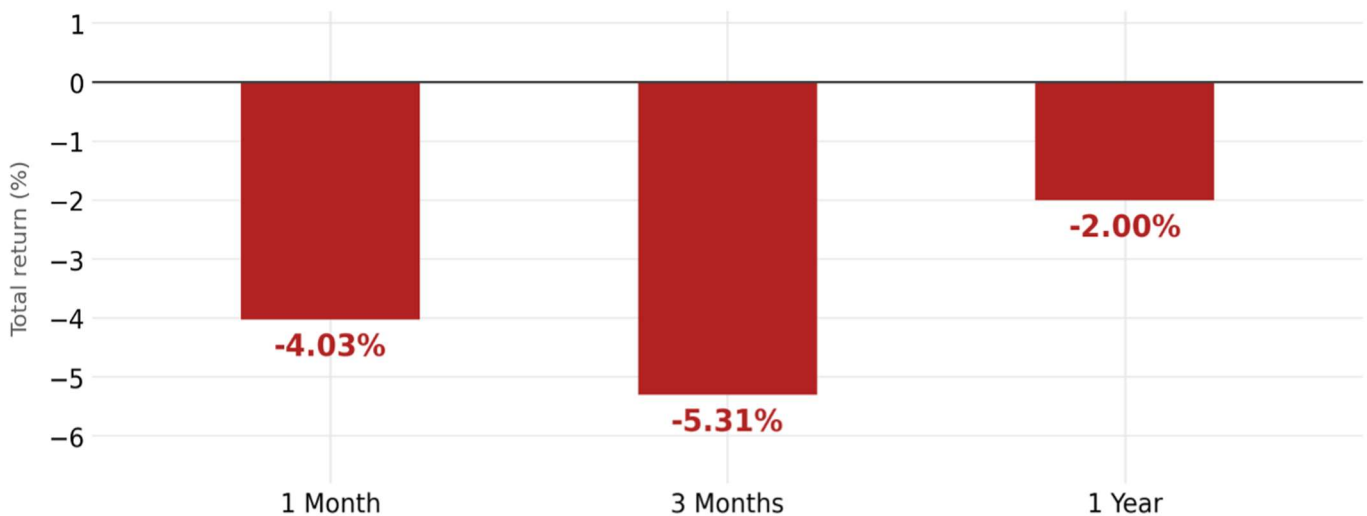
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Recent Negative Performance

Municipal yields have risen sharply over the past three months following strong economic consumer and employment data providing a green light for the Fed to push harder against inflation with potential rate increases. The Fed raised rates 25bps on September 16th, 2026 and the market also priced in another hike for 2026 and increased expectations for 2027. As of Sept 24, 2026, the Bloomberg Municipal Bond Index lost 4.03% in the past month and 5.31% over three months, and it is down 2.00% over the past year. The index yield-to-worst rose 103 basis points over the three-month period, from 3.61% to 4.64%, and the 30-year AAA yield rose 91 basis points to 5.07%.

Bloomberg Municipal Bond Index: Total Return

Trailing periods ended 9/23/2026



Source: Bloomberg as of 9/25/2026. Data believed to be accurate but cannot be guaranteed.

Bloomberg Municipal Bond Index total return level. Trailing periods ended 9/23/2026, the last index level available in the source data.

Forward-Looking Considerations

The same move that produced the price decline also produced the highest municipal yields in roughly two decades. **At 4.64%, the index yield to worst is higher than on 99% of business days over the past 20 years and roughly 88% over the past 30 years.** Within the past 20 years, the only days with a higher index yield were in the fall of 2008.

Bloomberg Municipal Bond Index: Yield and Entry Point

Percentile of today's index yield to worst against each trailing period

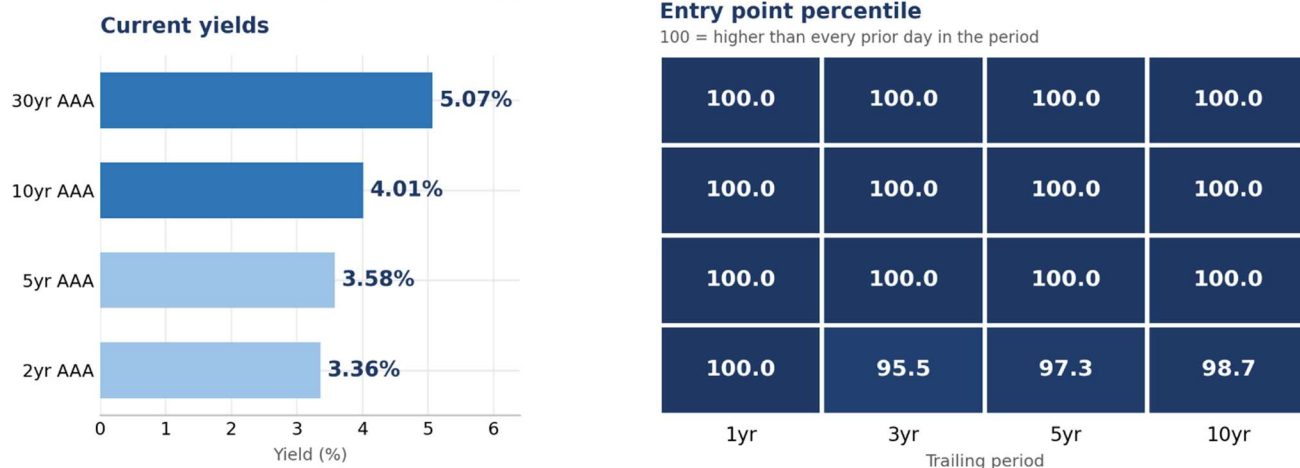


Source: Bloomberg as of 9/25/2026. Data believed to be accurate but cannot be guaranteed.

Yield to worst as of 9/24/2026, the last observation available in the source data. Percentile is the share of prior business days in each trailing period when the index yield was below the current level. The current observation is excluded from the comparison, so 100 means no prior day in the period was higher.

AAA Municipal Curve: Yield and Entry Point

Percentile of today's yield at each maturity against each trailing period



Source: Bloomberg as of 9/25/2026. Data believed to be accurate but cannot be guaranteed.

Yields as of 9/24/2026, the last observation available in the source data. Percentile is the share of prior business days in each trailing period when the yield was below the current level, excluding the current observation. AAA yield history in the source data begins 3/11/2011, so trailing periods are shown only through 10 years.

Talking points

Higher yields may improve future economics

- Every coupon payment, call, and maturity now reinvests at yields that were not available a year ago. For a portfolio with regular cash flow, a period of rising rates lifts the book yield of the portfolio for years afterward.
- Starting yield has historically driven long-term outcomes. In this index history back to 1996, the starting yield to worst explains roughly 73% of the variation in the subsequent five-year annualized return and roughly 61% at three years. It explains far less of what happens over the next month or quarter.

Price and income run on different clocks

- A municipal portfolio earns its return from price and from income, and the two do not arrive on the same schedule. Price reacts to a yield change immediately. Income accrues every day and does not reverse.
- At the current index yield of 4.64%, a bond portfolio with that yield accrues roughly 0.39% of income per month (assuming it can buy the same index yield). Holding yields flat from here, the past month's 4.03% price decline is offset by about 10 months of coupon, and the three-month decline by about 14 months. Newly funded accounts feel a price move most acutely because they have not yet accumulated the income that cushions it. That is a function of timing, not of strategy.

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- Judging a bond portfolio on one month or one quarter measures the part of the return that moves fastest and matters least to a long-term holder, and ignores the part that compounds.

Active management matters

- Swaps: when available and prudent to the overall portfolio structure, selling a bond and buying one of similar credit quality and structure at a higher yield raises the income of the portfolio.
- Extensions: when the additional yield offered for taking on additional duration risk is adequate, extending locks in today's higher long-end yields for longer. The 30-year AAA yield at 5.07% is the steep end of the curve today. Cumberland manages the duration risk of the entire portfolio in total, balancing out durations of individual bonds across the curve.
- Tax loss harvesting: a realized loss can offset gains elsewhere in a client's portfolio while the proceeds are reinvested at a higher yield in a comparable bond. The client keeps the market exposure and picks up the tax benefit.
- We move at a measured pace rather than repositioning wholesale, because no one reliably identifies the top in yields. If anything, rising yields argue for averaging in rather than stepping back. Adding to fixed income as yields rise lowers the average cost of the position and raises its average yield.

Risks, stated plainly

- Yields can continue to rise, and if they do, prices will fall further. Duration cuts both ways, and longer maturities will continue to carry the most price sensitivity. Nothing in this data forecasts the direction of rates.
- All investments have risk & reward and levels of beta. Suitability must be determined at a client level.

Tax equivalent yields by state

For an investor in the top federal bracket, the 37% rate plus the 3.8% net investment income tax alone puts the tax equivalent yield of a 5.07% 30-year AAA municipal at 8.56%. Adding the top state individual rate on an in-state bond takes the tax equivalent yield above 9% in 35 of the 50 states, above 11% in California, and to 11.41% for a New York City resident holding a New York State issued bond.

These are AAA yields, and bonds with lower ratings such as AA and A generally provide additional yield beyond what is shown in the chart.

Tax Equivalent Yield by State

30-year AAA municipal at 5.07%, top federal bracket of 37% plus the 3.8% net investment income tax, plus the top state individual rate on an in-state bond

Sorted highest to lowest, with the New York City resident case leading. Each box shows the state top individual rate and the combined federal, surtax and state rate used to gross up the yield.

NYC = New York City resident owning a New York State issued bond (37% + 3.8% + 10.90% state + 3.876% city).

NYC 11.41% state 14.78% combined 55.6%	CA 11.05% state 13.30% combined 54.1%	HI 10.52% state 11.00% combined 51.8%	NY 10.50% state 10.90% combined 51.7%	NJ 10.46% state 10.75% combined 51.5%	OR 10.28% state 9.90% combined 50.7%	MN 10.27% state 9.85% combined 50.6%	MA 10.10% state 9.00% combined 49.8%
VT 10.05% state 8.75% combined 49.5%	ME 9.74% state 7.15% combined 48.0%	CT 9.71% state 6.99% combined 47.8%	DE 9.64% state 6.60% combined 47.4%	MD 9.62% state 6.50% combined 47.3%	RI 9.53% state 5.99% combined 46.8%	NM 9.51% state 5.90% combined 46.7%	ID 9.49% state 5.80% combined 46.6%
VA 9.49% state 5.75% combined 46.5%	KS 9.48% state 5.70% combined 46.5%	MT 9.47% state 5.65% combined 46.5%	SC 9.39% state 5.21% combined 46.0%	GA 9.39% state 5.19% combined 46.0%	AL 9.35% state 5.00% combined 45.8%	WV 9.32% state 4.82% combined 45.6%	MO 9.30% state 4.70% combined 45.5%
NE 9.28% state 4.55% combined 45.4%	UT 9.27% state 4.50% combined 45.3%	OK 9.27% state 4.50% combined 45.3%	CO 9.25% state 4.40% combined 45.2%	MI 9.23% state 4.25% combined 45.0%	MS 9.18% state 4.00% combined 44.8%	NC 9.18% state 3.99% combined 44.8%	AR 9.17% state 3.90% combined 44.7%
KY 9.10% state 3.50% combined 44.3%	PA 9.03% state 3.07% combined 43.9%	LA 9.02% state 3.00% combined 43.8%	IN 9.01% state 2.95% combined 43.8%	OH 8.98% state 2.75% combined 43.5%	AZ 8.94% state 2.50% combined 43.3%	ND 8.94% state 2.50% combined 43.3%	IA† 8.56% state 3.80% combined 40.8%
IL† 8.56% state 4.95% combined 40.8%	FL 8.56% state 0.00% combined 40.8%	AK 8.56% state 0.00% combined 40.8%	NV 8.56% state 0.00% combined 40.8%	NH 8.56% state 0.00% combined 40.8%	TN 8.56% state 0.00% combined 40.8%	SD 8.56% state 0.00% combined 40.8%	TX 8.56% state 0.00% combined 40.8%
WA 8.56% state 0.00% combined 40.8%	WI† 8.56% state 7.65% combined 40.8%	WY 8.56% state 0.00% combined 40.8%					

Source: Bloomberg as of 9/25/2026. Data believed to be accurate but cannot be guaranteed. State individual income tax rates per the Bloomberg state tax table (Ind column).

† Most municipal bonds issued in state are subject to state income tax in Illinois, Iowa and Wisconsin, so the federal-only tax equivalent yield is shown for those states.

Illustrative only. Assumes the top marginal federal and state rates with no federal deduction for state income tax. Actual rates depend on filing status, income, residency and the bonds held.

Disclosures

Source: Bloomberg as of 9/24/2026. Data believed to be accurate but cannot be guaranteed. Index returns are those of the Bloomberg Municipal Bond Index, which is unmanaged and cannot be purchased directly; index returns do not reflect advisory fees, transaction costs, or taxes, and are not representative of any account. Trailing returns are calculated from the index total return level through 9/24/2026, the last level available in the source data, and yields are as of 9/24/2026. AAA municipal yields are benchmark high-grade yields for the maturity shown and do not represent the yield of any portfolio; AAA municipal yield history in the source data begins 3/11/2011, so AAA entry point percentiles are shown only through the 10-year trailing period. Index yield-to-worst history begins 9/30/1996. Index observations are monthly prior to December 2001 and daily thereafter; percentiles are calculated on a business-day basis using the last available observation on each day, which weights the earlier monthly period by elapsed time rather than by observation count., and is a description of history rather than an indication of future results. Statistical relationships between starting yield and subsequent return are measured on overlapping periods, which reduces the number of independent observations and overstates apparent statistical confidence. Tax equivalent yields are illustrative and assume the top 2026 federal marginal rate of 37%, the 3.8% net investment income tax, and the top state individual income tax rate shown, with no federal deduction for state income tax; an investor's actual rates depend on filing status, taxable income, state and local residency, the alternative minimum tax, and the specific bonds held. Some municipal bond income may be subject to the alternative minimum tax, and capital gains are taxable. Tax equivalent yields assume the investor holds an in-state bond and is entitled to the in-state exemption. Nothing herein is tax or legal advice and investors should consult their own tax advisor. Yields and prices change daily. Investing involves risk, including possible loss of principal, and bond prices fall when interest rates rise. Past performance does not indicate future results.

