

Municipal Bond Investor Weekly

High Net Worth Wealth Solutions and Market Strategies // Fixed Income Solutions



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THE WEEK AHEAD

1. Another Fed meeting, may be the last for Chair Powell. Almost a certainty: no change in Fed Funds. Some moderation in inflation fears have caused intermediate and longer rates to retrace a portion of increases since February. This recent window of opportunity could continue to gradually close.
2. For a Fed Week, unusually solid new issuance projected at over \$7 billion. May 1 redemption money rolls in on Friday with ~25% increase in May redemptions (\$31 billion tax-exempt principal and interest) over April levels. Increased demand could drive prices higher yields lower.
3. The uptick in May redemptions may be setting the stage for stronger market performance this summer as redemptions are expected to accelerate dramatically, while uncertainty about new issue supply remains.

MONDAY'S COMMENTARY

Be Smart When Investing in Higher Education
 Illustrative Portfolios

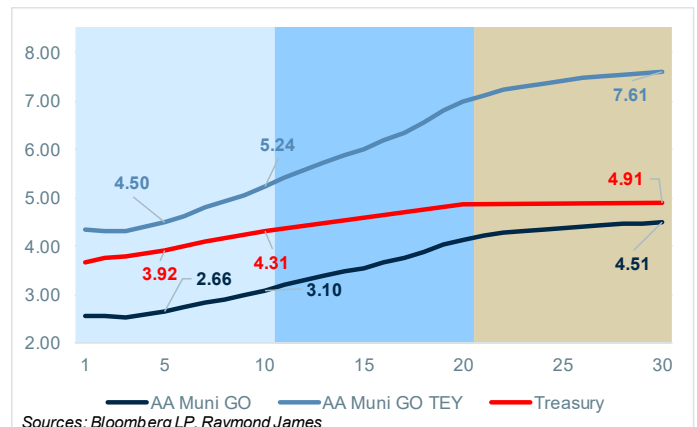
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THE NUMBERS THIS WEEK

Treasury yields moved higher across the curve last week. The 2 to 10 year part of the curve saw the largest moves, with yield increases of 5 to 8 basis points. Municipal yields were higher by 1 to 3 basis points across the short and intermediate part of the curve while the long end of the curve went unchanged.

Year		Treasury	Municipal (AAA)	Municipal (A)	Municipal TEY* (AAA)	Municipal TEY* (A)	Muni (AAA)/Tsy Ratio	Muni TEY* (AAA)/Tsy Ratio
1	2027	3.67	2.29	2.81	3.87	4.75	62%	105%
2	2028	3.78	2.28	2.83	3.85	4.78	60%	102%
5	2031	3.92	2.40	3.01	4.05	5.08	61%	103%
10	2036	4.31	2.84	3.49	4.80	5.90	66%	111%
20	2046	4.88	3.92	4.69	6.63	7.91	80%	136%
30	2056	4.91	4.24	5.01	7.17	8.46	86%	146%

*Taxable equivalent yield @ 40.8% tax rate. Sources: Bloomberg LP, Raymond James



BE SMART WHEN INVESTING IN HIGHER EDUCATION

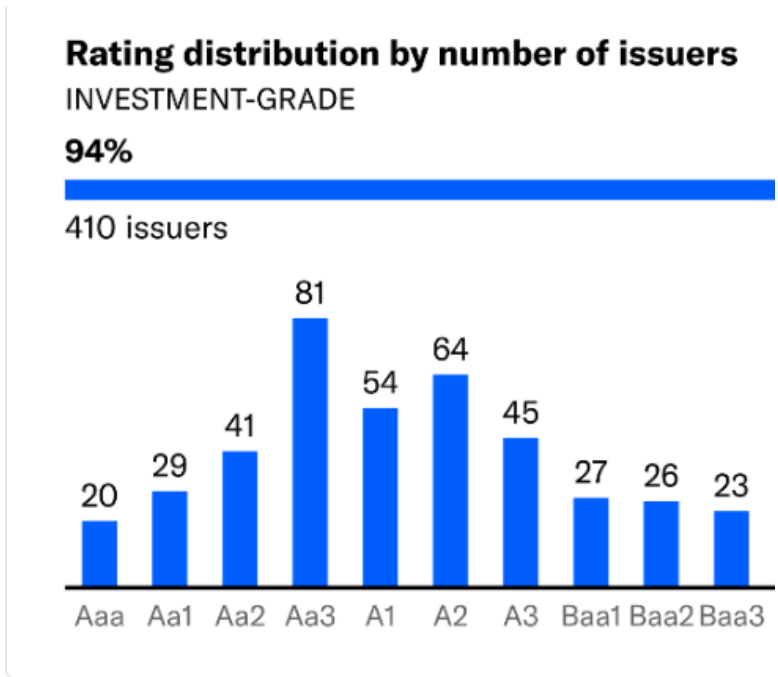
We close out April with another meeting of the FOMC --- likely to be Jerome Powell's last as Chair, (his Chairmanship expires on May 15, 2026), even though his separate term as a member of the Federal Reserve Board of Governors does not expire until **January 31, 2028**. Meanwhile, Kevin Warsh continues his Senate confirmation hearings to be the next Fed Chair. What's next for the Fed is anyone's guess but for a non-partisan view on Kevin Warsh, my colleague Drew O'Neil has some insight in his weekly Bond Market Commentary.

What's not up in the air? The month of May brings out millions of Americans to celebrate their family members graduating from college --- whether from two-year, four-year, graduate or professional colleges and universities. This past year has been a challenging year on college and university campuses. The higher education sector has seen more than its share of volatility --- everything from Federal funding cuts, to reduced international enrollments, rising expenses and reduced funding from states (for public universities.) These policy / fiscal challenges compound existing demographic pressures. The national population of high school graduates is projected to begin to decline next year, constraining enrollment growth and revenue increases for institutions already operating on thin margins.

We thought it would be appropriate to provide an **update on the higher education sector** within the municipal bond market. A few facts for context: the most recent data (2024) from the U.S. Department of Education, National Center for Education Statistics (NCES) reported just over 19 million undergraduate students nationwide. That's down about 8% from the peak enrollment in 2010 (est. 21 million). That said, projections for 2025 enrollments indicate a slight increase continuing a multi-year trend that is projected to reverse the prior trend, and continue growing through 2031 for a decade long increase of ~9% --- this despite the general concerns about the higher cost of higher education. In the US, according to the most recent data from the NCES, there were 5,916 postsecondary institutions (associate's degree and higher) in the country --- approximately 1,900 public, 1,750 private non-profit and 2,300 for-profit. That number is down by more than 1,100 institutions (16%) since 2010-11 --- the time of peak postsecondary enrollment.

In our world of municipal bonds, the issuers in the higher education sector available for investment are just a slim slice of the postsecondary universe.

Moody's and S&P rate between 400-500 colleges and universities --- well under 10% of all postsecondary institutions. Moody's ratings encompass 437 colleges and universities --- 410 are rated investment grade (94%, see graph below.) Among the investment grade issuers --- *that's the investment universe available to our retail clients, and even here we have further restrictions* --- 375 (86%) have a stable outlook, while 57 (12%) have a negative outlook. Only 5 are positive. Even though the majority of **rated** issuers have a stable outlook, Moody's has a Negative Outlook on the higher education **sector** overall due to the multiple headwinds noted above. (Note: sector outlooks reflect Moody's view of credit fundamentals in the sector over the next 12 months, this is distinct from individual issuer rating outlooks. A sector outlook does not represent a sum of upgrades, downgrades or ratings under review or an average of rating outlooks.) The overriding reason for the sector wide negative outlook? Overall expenses are growing at 4.4% while revenues are increasing by just 3.5%.



Source: Moody's Ratings

“Given the strained revenue forecast, management’s ability to control costs and identify creative operational efficiencies will take on even greater importance even at the largest and wealthiest institutions,” noted Moody’s analysts. (**Moody’s 2026 Higher Education Outlook - Negative amid difficult policy situation and slow revenue growth**, November 13, 2025.)

Investors still have a lot to work with in this sector, including both tax-exempt and taxable bonds. According to the Municipal Securities Rulemaking Board (MSRB), in 2025 ~\$42 billion was issued in tax-exempt higher education bonds, accounting for 8% of the tax-exempt market --- in a year of record issuance. An additional ~\$3 billion was issued as taxable municipal bonds. **The first quarter of 2026 was another active quarter with \$6 billion of issuance among colleges and universities (The Bond Buyer)** --- it just couldn’t match last year’s nearly \$12 billion as major colleges were shoring up balance sheets / liquidity in anticipation of Federal policy changes.

Investors are attracted to the higher ed sector for various reasons: high credit quality, slightly higher risk / adjusted yields, and for some, the emotional appeal of investing in one’s alma mater. Some colleges offer bondholders the security of all the university’s resources (akin to a general obligation), others may focus on a dedicated revenue stream, like tuition, or specific project related fees (housing, sports, ancillary facilities) dedicated to pay bondholders. *(Note: there are a variety of bonds in the broader higher education sector, including those for bonds issued in conjunction with university medical institutions, private student housing bonds, and special education facilities, to name just a few. Each present unique opportunities and risks. Our focus here is on the “traditional” college and university issuers and not the broader range of issuers just mentioned.)*

What does the “inherent strength” of the sector look like? Among investment grade issuers, fully 40% of Moody’s ratings are in the Aa category or higher. Renown private institutions like Harvard, MIT and Stanford are all rated Aaa, stable, along with well-known public universities, like University of Michigan, University of Texas System (both Aaa, stable). Just off the top investment grade ratings there’s Ohio State University and University of Florida (both Aa1 stable), University of Georgia and University of California (both Aa2 stable) to name just a few. Smaller, selective private colleges, admittedly with fewer bonds outstanding to support their institutions, also have high credit ratings. Simply for reference --- and not a recommendation --- there are plenty of well-known schools, of differing size, focus and geographic location across the ratings spectrum that are frequently seen in bond portfolios such as: Vanderbilt University (Aa1), Auburn University (Aa2), Boston College (Aa3), Tulane (A1) and University of Miami (A2).

The credit concerns are, not surprisingly, generally found in lower rated albeit still investment grade rated credits. By definition, these schools have weaker financial metrics, their enrollments may be flat or declining such that they have to offer additional tuition assistance / discounting, they may lack a distinctive attraction, or have seen turnover in management, and have smaller endowments / weak fundraising performance. Any or all of these can result in credit deterioration and future downgrades (although downgrades do not mean default.) **This is why when we look for investment opportunities in the higher education sector, we are primarily focused, although not exclusively, on colleges and universities in the AA and higher categories, with stronger enrollments trends, solid financial metrics and substantial endowments to help offset unexpected developments like the present environment.** There are plenty of options as indicated in the ratings chart.

What does this mean for investors? Clearly, **the higher education sector will see volatility in 2026.** We are seeing some signs of bonds trading slightly lower in price due to the heightened risk concerns, but not dramatically cheaper. We expect there will be more credit divergence and ratings downgrades, particularly among schools that are smaller, more regionally focused, private with less selective profiles that require greater resources to attract students--- which adds to weaker financial performance. But as we’ve seen, those downgrades tend to be “one-notch” moves --- for example, A to A-, A2 to A3 and occasionally “across a rating threshold” crossing from the AA category to A, or from A into BBB land. And as we frequently note in our commentaries (and above!): **downgrades do not equal defaults --- we can’t emphasize that enough.** While there have been defaults among a very limited

number of smaller colleges rated below investment grade, **there have been no defaults among the investment grade issuers.**

Higher education bonds can have a place in any client portfolio given the range of opportunities available in the market. Which bonds are right for you? Once the graduation celebrations are over, that’s a great conversation to have with your financial advisor!

ILLUSTRATIVE PORTFOLIOS

- ✓ Municipal bond market saw a slight increase in yield by 1 to 3 basis points inside 17 years and unchanged out longer.
- ✓ **Looking to maximize yield?** The 20-to- 30-year range offers an **additional ~60 basis points** (over 10 – 20 years), without significantly increasing volatility (average modified duration ~5.2 on 10-to-20-years vs 6.3 on 20-to-30-years).
- ✓ The **current yield is ~4.79%**.
- ✓ A 20-to 30-year portfolio rated A or better can produce a federal tax-free yield to worst of ~4.34%, which **equates to a taxable equivalent yield to worst of ~7.33%** for an investor in the top federal tax bracket and subject to the net investment income tax. If the callable bonds are not called, the yield to maturity increases to 4.71%, which equates to a **taxable equivalent yield to maturity of ~7.95%**.
- ✓ An investment with \$1 million par value (~\$1,053,730 market value with accrued interest) will generate a federally tax-exempt **annual coupon cash flow of approximately \$49,875.**

National Municipal Bond Illustrative Portfolios

Week of April 27, 2026

1 – 10 Years

10 – 20 Years

20 – 30 Years

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,057,570
Accrued Interest	\$12,496
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,070,066
Next 12mo Cpn Cash Flow	\$44,500
Generic Annual Cpn Cash Flow	\$44,500
Weighted Averages	
Coupon*	4.450%
Maturity**	5.71 yrs
Duration	3.25
Yield to Worst	2.779%
Yield to Maturity	3.301%
Market Price*	105.757
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
**Avg life used for principal paydowns, and perpetual securities are assigned a 40 year maturity.

Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,047,862
Accrued Interest	\$12,593
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,060,455
Next 12mo Cpn Cash Flow	\$46,625
Generic Annual Cpn Cash Flow	\$46,625
Weighted Averages	
Coupon*	4.663%
Maturity**	15.60 yrs
Duration	5.15
Yield to Worst	3.688%
Yield to Maturity	4.228%
Market Price*	104.786
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
**Avg life used for principal paydowns, and perpetual securities are assigned a 40 year maturity.

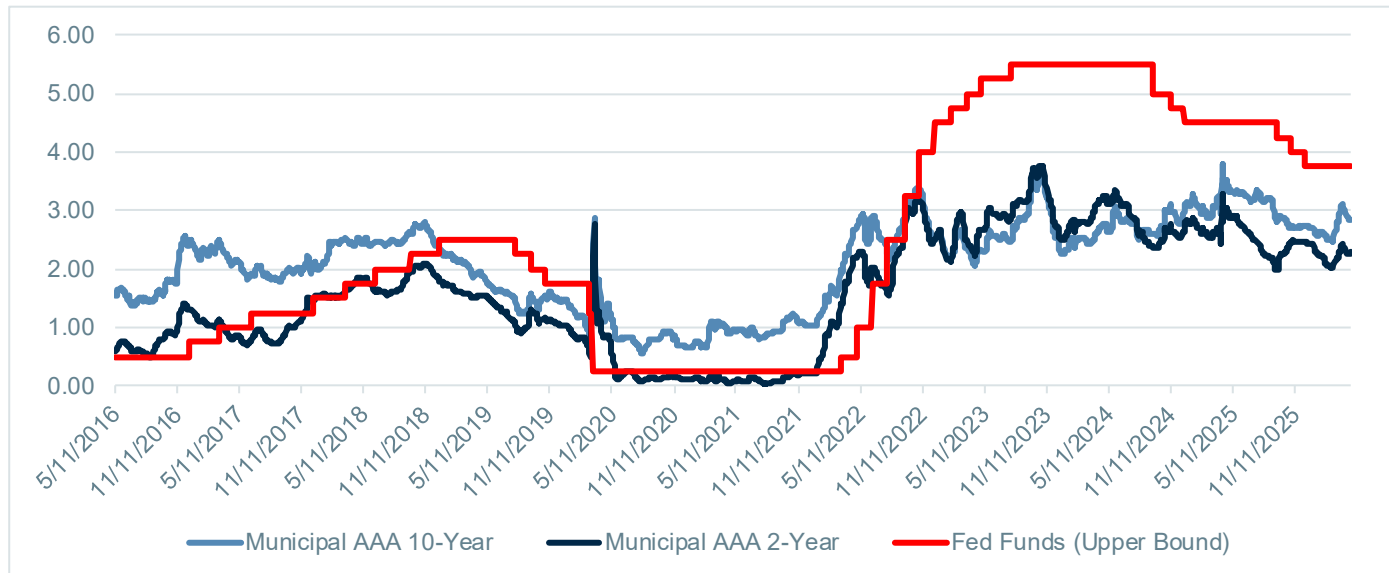
Totals & Averages @ Market	
Summary Totals	
Original Face	\$1,000,000
Current Face (Par)	\$1,000,000
Market Principal	\$1,041,058
Accrued Interest	\$12,673
Cash & Cash Alternatives	\$0
-	-
-	-
Total Portfolio Value	\$1,053,730
Next 12mo Cpn Cash Flow	\$49,875
Generic Annual Cpn Cash Flow	\$49,875
Weighted Averages	
Coupon*	4.988%
Maturity**	25.57 yrs
Duration	6.31
Yield to Worst	4.340%
Yield to Maturity	4.706%
Market Price*	104.106
Tax Lots Holdings Included	20 of 20

*Par-Wtd, all else Mkt-Wtd.
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NAVIGATING TODAY’S MARKET

New issuance is expected to be just over \$7 billion this week, according to The Bond Buyer. Some of the larger deals include: The Massachusetts Development Finance Authority is selling \$1.4 billion of revenue bonds for the Dana Farber Cancer Institute (A2/A); the Board of Regents for The University of Texas System (Aa2/-/AA) is selling \$762 million of revenue bonds; the Kansas Development Finance Authority is selling \$426 million of revenue bond for the University of Kansas (Aa2/-); and the Los Angeles Unified School District (Aa2/-/AAA) is selling \$580 million of general obligation bonds. See table below for additional new issuance.

HISTORICAL YIELDS



Date	Amount (\$millions)	Issuer	ST	Description	Ratings	Maturity
04/27/2026	126	New Mexico Mtg Fin A	NM	2026 SERIES C (TAX-EXEMPT) (NON-AMT)	Aa1/--/--	2027 - 2057
04/27/2026	24	New Mexico Mtg Fin A	NM	2026 SERIES D (FEDERALLY TAXABLE)	Aa1/--/--	2027 - 2057
04/28/2026	150	Virginia Hsg Dev Aut	VA	2025 Series G-Non-AMT, Subseries G-2	Aaa/AAA/--	2027 - 2056
04/28/2026	7	Live Oak USD	CA	2026 General Obligation Refunding Bonds	--/AA--	2026 - 2041
04/28/2026	20	Walker County SD	GA	Walker County School District, Georgia	Aa1/NR/NR	2027 - 2031
04/28/2026	41	New Hampshire Muni B	NH	New Hampshire Municipal Bond Bank	--/AA+/-	2026 - 2038
04/28/2026	80	Oklahoma Hsg Fin Agy	OK	SERIES 2026 B (NON-AMT)	Aaa/--/--	2027 - 2057
04/28/2026	6	Mendota Unified School District	CA	General Obligation Refunding Bonds	Aa3/--/--	2026 - 2042
04/28/2026	25	Cumberland Vly SD	PA	CUMBERLAND VALLEY SCHOOL	--/AA--	2027 - 2053
04/28/2026	104	Tennessee Hsg Dev Ag	TN	ISSUE 2026-1 (NON-AMT) (SOCIAL	Aa1/AA+/-	2027 - 2057
04/28/2026	37	San Luis Coastal USD	CA	District2026 General Obligation Refunding	Aa1/--/--	2026 - 2035
04/28/2026	75	Virginia Hsg Dev Aut	VA	VIRGINIA HOUSING DEVELOPMENT	Aaa/AAA/--	2027 - 2056
04/28/2026	79	New Hampshire Muni B	NH	New Hampshire Municipal Bond Bank	--/AA+/-	2026 - 2040
04/30/2026	11	Camden Public Facilities Corp	SC	Camden Public Facilities Corporation	A1/A+/NR	2027 - 2051
04/30/2026	7	Michigan State Housing	MI	Multifamily Housing Revenue Bonds,	Aa1/--/--	2043 - 2043

*Moody's/S&P/Fitch. This offering calendar is for information purposes only, and is not intended as an offer for solicitation with respect to the purchase or sale of any securities. For more information on the new issues go to www.raymondjames.com.

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Sourced from Bloomberg: Treasuries: US Fed H15 CMT Curve - The H15 curve is comprised of the constant maturity treasury rates as published daily by the Federal Reserve in the H15 report. Municipal (AAA): BVAL Municipal AAA Yield Curve (Callable) - The curve is populated with high quality US municipal bonds with an average rating of AAA from Moody's and S&P. The yield curve is built using non-parametric fit of market data obtained from the Municipal Securities Rulemaking Board, new issues, and other proprietary contributed prices. The curve represents 5% couponing. The 3 month to 10 year points are bullet yields, and the 11 year to 30 year points are yields to worst for a 10-year call. Municipal (AA): US General Obligation AA Muni BVAL Yield Curve - The BVAL curve is populated with pricing from uninsured AA General Obligation bonds. Municipal (A): US General Obligation A+ A A- Muni BVAL Yield Curve - The BVAL curve is populated with pricing from uninsured A+, A, and A-rated General Obligation bonds. Fed Funds (Upper Bound): The federal funds rate is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee as part of its monetary policy. US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance.

The illustrative portfolios are intended as a starting point for a conversation on individual bonds. They are not intended as specific recommendations and bonds are shown for illustration purposes only. The bonds listed in the illustrative portfolios are rated A or better, with average ratings from Moody's and Standard and Poor's of Aa2 / AA. The yields shown in the proposals are based on pricing models, not current market offers. Yields shown are indicative of general market levels but are not a guaranteed result. Prices and yields are not inclusive of any fees or commissions.

US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance.

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