



# CIM Market Commentary | A Moment of Gratitude

November 2025

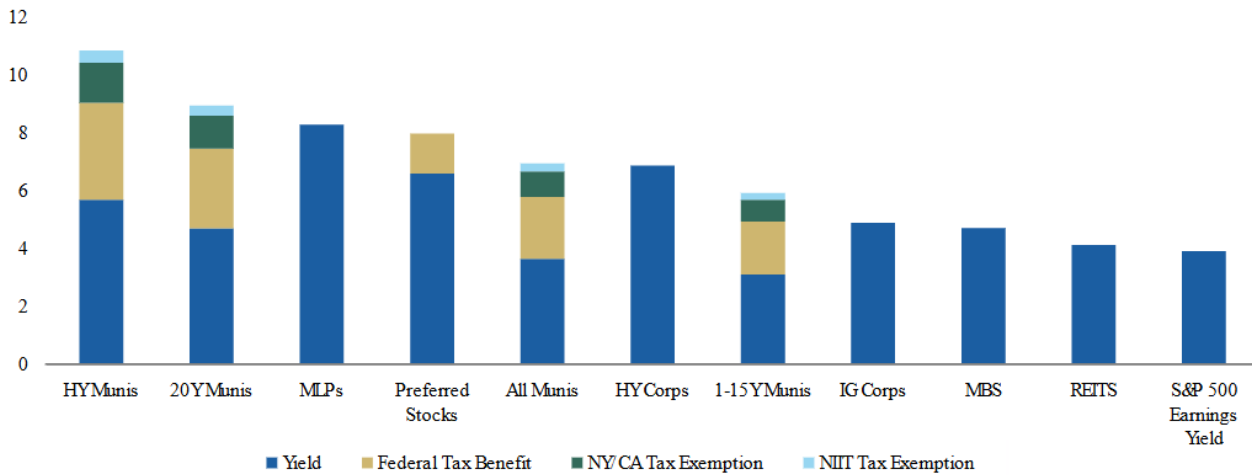
- The municipal bond market is enjoying its third consecutive year of meaningfully positive total return, 12% on a cumulative basis, since 2023. CIM's strategies have delivered meaningfully higher returns both net-of-fees and after taxes.
- Municipal bond total returns for the combined period of September through October 2025 were the highest in over 30 years.
- Long duration municipal bonds have outperformed short duration munis by roughly +6.00%, or +600 basis points, since September 1<sup>st</sup>.
- Municipal bond TEY's now exceed nearly every other fixed-income asset class, according to Morgan Stanley Research.
- Consistent with our expectations, moderate inflation and weakening labor market conditions have driven the Fed to restart its easing cycle, cutting interest rates twice with more cuts expected in the near-term.
- Our strategies offer yields between 6% and 7%, on a TEY basis for those in the highest tax bracket, thereby meaningfully compensating investors to swap out of low yield, low return short duration cash and passive bond strategies.
- High-net-worth investors with exposure to Treasury bond ladders would also benefit from transitioning to municipal bonds, given the meaningful yield decline we have seen in short-term Treasury bonds and the higher taxable equivalent yields municipal bonds offer.
- We remain constructive on the outlook for the municipal bond market through the end of 2025 and into 2026.

As we approach the close of the fourth quarter and the Thanksgiving holiday, this time of year presents an opportunity to reflect on events of the past several months and the impact of our decisions on achieving our individual and collective long-term goals and objectives. CIM would also like to express our sincerest gratitude to the clients and advisors we serve for their ongoing trust, confidence, and loyalty. We take our role as responsible stewards of our client's wealth extremely seriously. For this reason, we are deeply grateful for the value we have delivered throughout 2025, despite yet another tumultuous period in the financial markets. As we evaluate events of this past year, we also carefully consider the risks that lie before us.

While the year is not yet over, it may come as surprise to some that the municipal bond market is enjoying its third consecutive year of meaningfully positive total return, 12% on a cumulative basis, since 2023, according to the Bloomberg Municipal Bond Index. CIM's strategies have delivered meaningfully higher returns both net-of-fees and after taxes. For example, our Municipal Credit Opportunities and Municipal Market Duration strategies have delivered over +17% and +15% respectively, net-of-fees on a cumulative basis, over the aforementioned period. This was not the case just a few months ago, as the first seven months of the year were decidedly weak for the municipal bond market. This caused some short-term investors in the muni market to become disenchanted with returns they had achieved. Some were even motivated to liquidate the entirety of their municipal holdings, selling longer-term bonds to invest in short duration paper or cash. Unfortunately, for those investors, this rash decision was ill-timed as they missed out on one of the strongest rallies in the history of the municipal bond market at end of the third quarter. For example, long duration municipal bonds have outperformed short duration munis by roughly +6.00%, or +600 basis points, since September 1st, 2025, according to Barclays Municipal Research. Municipal bond total returns for the combined period of September through October 2025 were the highest in over 30 years. The surge in municipal bond prices over the past several weeks has transformed an otherwise lackluster year of returns into a decidedly solid year for the muni market and our strategies in particular.

There is significantly more room for longer duration munis to run, in our view. This is partly due to the relatively high yields one can still achieve in municipal bonds that are exempt from Federal and, in many instances, state income taxes. This tax-exemption is powerful, as a tax-free return of 4.00% translates to a taxable equivalent yield (TEY)\* of +6.80% annually, for those in the highest federal tax-bracket. When we consider the substantially lower risk that municipal bonds carry, the diversifying force municipal bonds provide in one's asset allocation becomes apparent. Municipal bond TEY's now exceed nearly every other fixed-income asset class, according to Morgan Stanley Research, see Figure 1 below.

Figure 1. Municipal Bond Yield Advantage



Source: ICE, Bloomberg, Morgan Stanley Research

We deeply appreciate our clients’ patience and conviction in the fundamental macroeconomic view we shared many months ago. We know the first half of the year was a challenging period for many investors. This experience is yet another reminder that a patient, measured, and calm approach to investing and assessing one’s return experience is essential, given the degree of short-term volatility that exists in markets today. Our disciplined approach to portfolio construction and positioning is reflected in our long-held views on the direction of the US economy and expressed in our portfolios, enabling our clients to participate fully in the municipal bond market rally of the past two months.

Consistent with our expectations, moderate inflation and weakening labor market conditions have driven the Fed to restart its easing cycle, cutting interest rates twice with more cuts expected in the near-term. For this reason, we believe investors who remain largely underweight fixed income, and municipal bonds in particular, should consider increasing their municipal bond holdings to lock in higher yields before rates fall further. Most savings rates and money market funds have now fallen well below the important 4.00% taxable yield threshold. Our strategies offer yields between 6% and 7%, on a TEY basis for those in the highest tax bracket, thereby meaningfully compensating investors to swap out of low yield, low return short duration cash and passive bond strategies. High-net-worth investors with exposure to Treasury bond ladders would also benefit from transitioning to municipal bonds, given the meaningful yield decline we have seen in short-term Treasury bonds and the higher taxable equivalent yields municipal bonds offer.

As investors consider the most appropriate asset allocations to help navigate rising uncertainty, driven by extreme valuations on risk assets, we understand some investors may compare the returns of the high-flying S&P 500 to the returns municipal bonds have delivered over the past few years. We would caution against this comparison. The highly volatile S&P 500 is demonstrably different than high quality, stable, and durable municipal bonds. As such, munis should not be expected to deliver a similar return experience. The S&P 500 carries dramatically higher risk, roughly 400% more risk, as measured by the S&P 500's ten-year standard deviation of return of approximately 16%. On the contrary, municipal bonds play a vastly different role in an investor's asset allocation. Municipal bonds, by definition, offer investors stable cash flow and safety of principal, providing consistent competitive tax-free cash flow while also preserving the wealth investors have accumulated through hard work and discipline, often across generations.

### What lies ahead?

We have good news to share. We expect municipal bond fundamental credit quality to remain stable going forward. Moreover, CIM's demonstrated ability to identify and select stable-to-improving issuers, as illustrated by our long-term track record of success, provides confidence to investors seeking to successfully leverage the opportunity to moderately move down in credit quality to meaningfully increase yield, without materially amplifying credit risk. We know with certainty that we don't know what lies ahead. Market conditions and public policy shifts serve as stark reminders that risk persists regardless of how much some in the investing community would like us to ignore it. For this reason, we believe investors will continue to seek out lower risk, higher yielding instruments. Therefore, we remain constructive on the outlook for the municipal bond market through the end of 2025 and into 2026. Technical market conditions that existed during the first half of the year have begun to dissipate, as evidenced by the outperformance of the municipal bond market in recent months. As we approach year-end, the expected decline in new issuance and elevated yields investors can still achieve on longer duration municipal bonds will likely continue to attract investor inflows supporting municipal bond performance in the months ahead.

Should you have any questions regarding the municipal bond market or this commentary, please do not hesitate to reach out.

Sincerely,  
Andrew Clinton  
CEO

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### Important Disclosure Information

\*The taxable equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the tax-exempt yield of the composite. The taxable equivalent yield is calculated by dividing the tax-exempt yield by 1- the maximum federal income tax rate of 40.8% (37% federal + 3.8% NII tax).

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