

# Municipal Bonds: Potential Opportunities for Income



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# Agenda

- The Long-Term Case for Municipal Bonds
- Why Hire a Professional Manager
- Investor Action Plan

# Why Own Municipal Bonds?



## POTENTIAL BENEFITS

- **Tax-free income\***
- **High credit quality**
- **Low volatility**

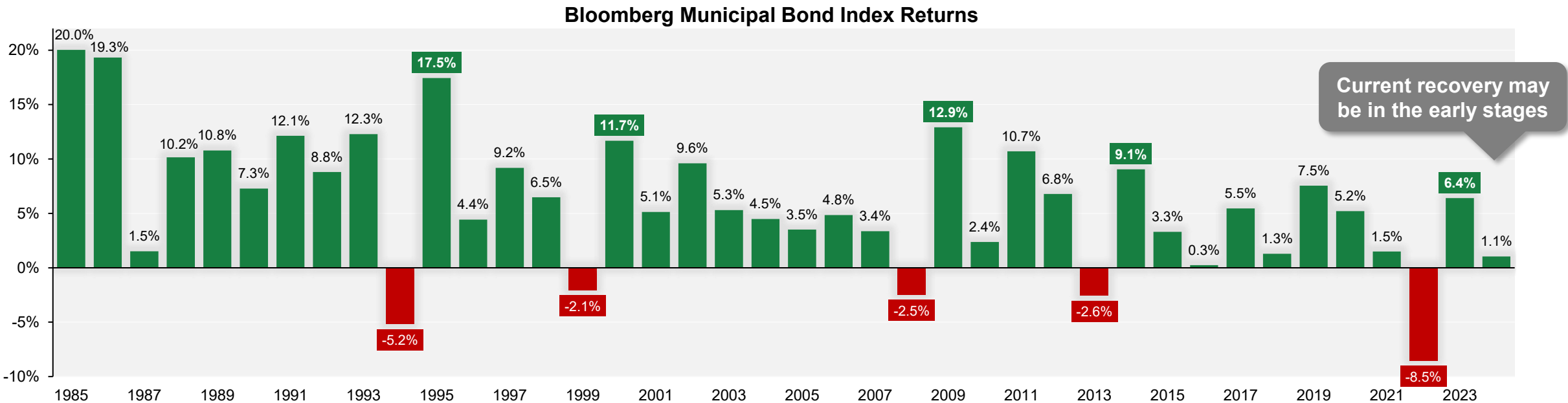
\*Income from municipal bonds may be subject to the alternative minimum tax. Federal, state, and local taxes may apply. Not all Municipal Bonds are high credit quality. The credit quality of bonds are assigned by a nationally recognized statistical rating organization (NRSRO), such as Standard & Poor's, Moody's, or Fitch, as an indication of an issuer's creditworthiness. Ratings range from 'AAA' (highest) to 'D' (lowest). Bonds rated 'BBB' or above are considered investment grade. Credit ratings 'BB' and below are lower-rated securities (junk bonds). High-yielding, non-investment-grade bonds (junk bonds) involve higher risks than investment-grade bonds. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities.





# Municipal Bond Performance: A Long-Term View

Negative calendar years have been rare, and historically followed by strong recoveries



Trailing Returns as of 03/31/2025	5 Years	10 Years	20 Years
<b>Bloomberg U.S. Aggregate Bond Index</b>	-0.40%	1.46%	3.18%
Bloomberg Muni Bond Index (Gross Return)	1.07%	2.13%	3.48%
<b>Bloomberg Muni Bond Index (Taxable Equivalent Return**)</b>	<b>2.47%</b>	<b>4.11%</b>	<b>5.38%</b>

Munis have outperformed taxable bonds, **before** the benefit of tax-exempt income

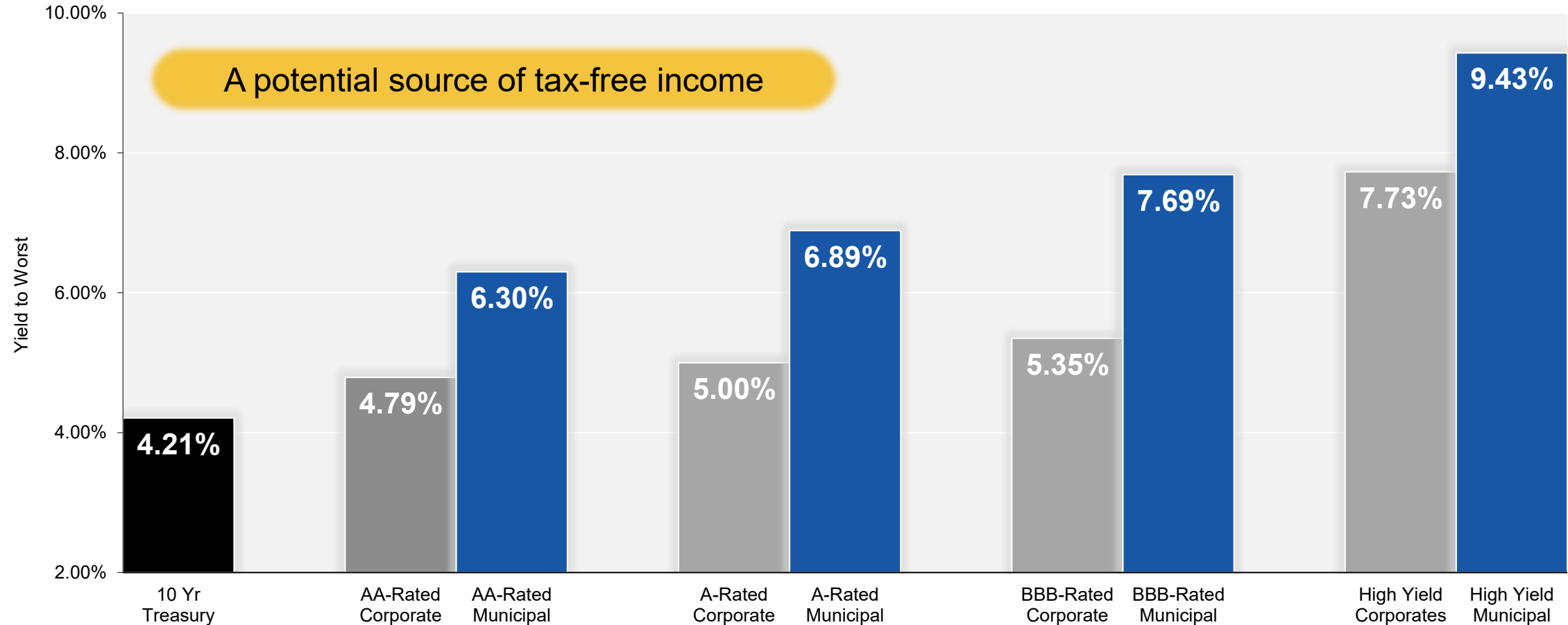
Source: Bloomberg Index Services Limited. Data as of 12/31/2024. **Past performance is not a reliable indicator or guarantee of future results.** The Bloomberg Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The Bloomberg Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. Bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two ratings agencies. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment. \*\*Tax Equivalent Yields are determined using a 40.8% tax rate. Tax-equivalent yield will vary based on an investor's tax bracket.



# Municipal Bonds:

## Attractive After-Tax Yield vs. Corporate Bonds

TAX EQUIVALENT YIELDS\* FOR SELECTED MUNICIPAL BOND INDEXES (AS OF 03/31/2025)



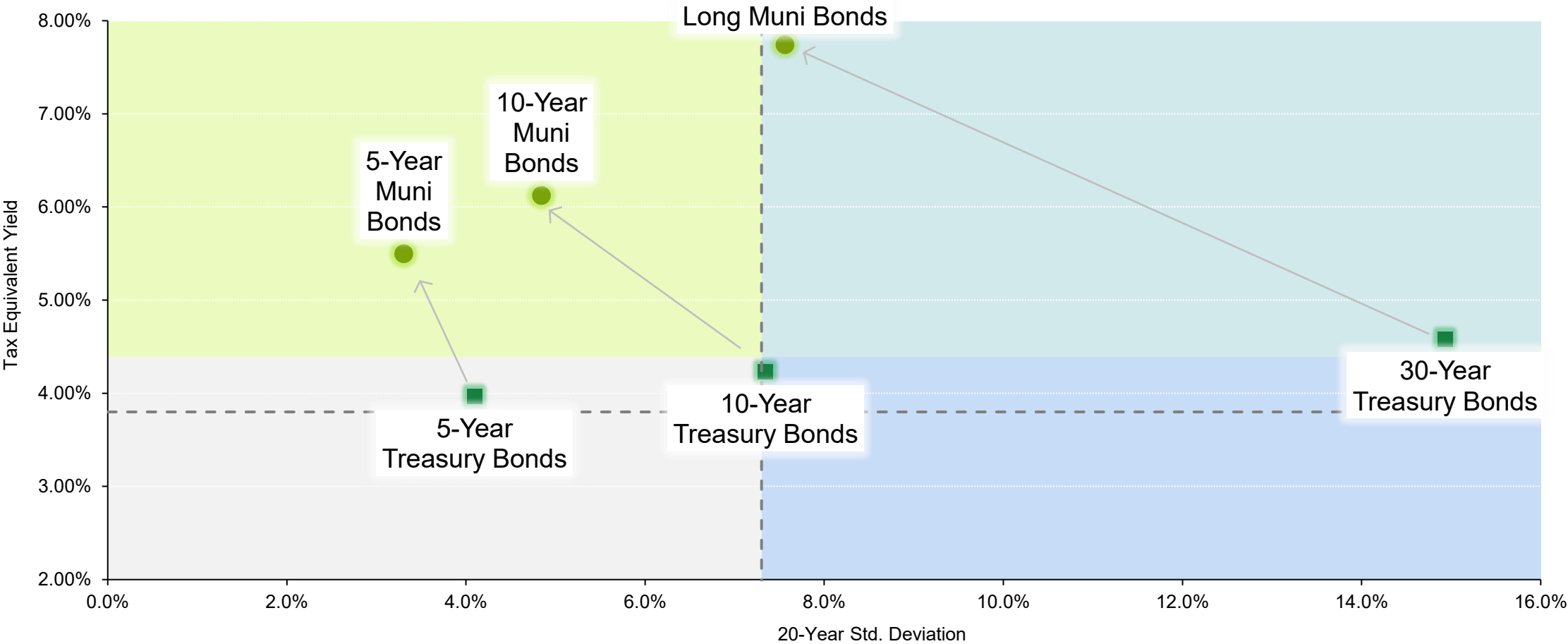
Source: Bloomberg. Investment grade municipal data represented by the Bloomberg Municipal Bond Index and investment grade corporate data represented by the Bloomberg U.S. Corporates Index. Bonds rated AA, A and BBB are considered investment grade. High yield municipal data represented by the Bloomberg High Yield Municipal Bond Index and high yield corporate data represented by the Credit Suisse High Yield Corporate Bond Index. \*Tax-equivalent yield calculation for the municipal indexes above assumes the top marginal tax bracket of 40.8% on investment income, which includes the 37.0% income tax rate and the 3.8% in Medicare tax. This tax rate does not factor in the effect of AMT (alternative minimum tax) or taxes in your individual state. Tax-equivalent yield will vary based on an investor's tax bracket. **Past performance is not a reliable indicator or guarantee of future results.** For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Income from municipal bonds may be subject to the alternative minimum tax. Federal, state, and local taxes may apply. High-yielding, non-investment-grade bonds have higher risk than investment-grade bonds. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities.



# Municipal Bonds:

## Historically Higher After-Tax Yield, With Less Volatility

YIELDS VERSUS STANDARD DEVIATION FOR INDICATED CATEGORIES (AS OF 03/31/2025)



Source: Bloomberg, Bloomberg Index Services Limited. Municipal bond maturities represented by components of the Bloomberg Municipal Bond Index; U.S. Treasury maturities represented by specific-maturity FTSE Treasury Benchmark Indexes. At the 32% tax bracket, tax-equivalent yields would be 4.78%, 5.33%, and 6.74% for the Bloomberg Municipal Bond 5-Year, 10-Year, and 22+ (Long) Indexes, respectively. Tax-equivalent yield calculation for the municipal indexes above assumes the top marginal tax bracket of 40.8% on investment income, which includes the 37.0% income tax rate and the 3.8% in Medicare tax. This tax rate does not factor in the effect of AMT (alternative minimum tax) or taxes in your individual state. Tax-equivalent yield will vary based on an investor's tax bracket. **Past performance is not a reliable indicator or guarantee of future results.** For illustrative purposes only and does not reflect any specific portfolio managed by Lord Abbett or any particular investment. Lower-rated bonds may carry greater risks than higher-rated bonds. Income from municipal bonds may be subject to the alternative minimum tax. Federal, state, and local taxes may apply.



# Municipal Bonds:

## Historically Lower Default Rates than Corporate Bonds

CREDIT QUALITY: MUNICIPALS VS. CORPORATES

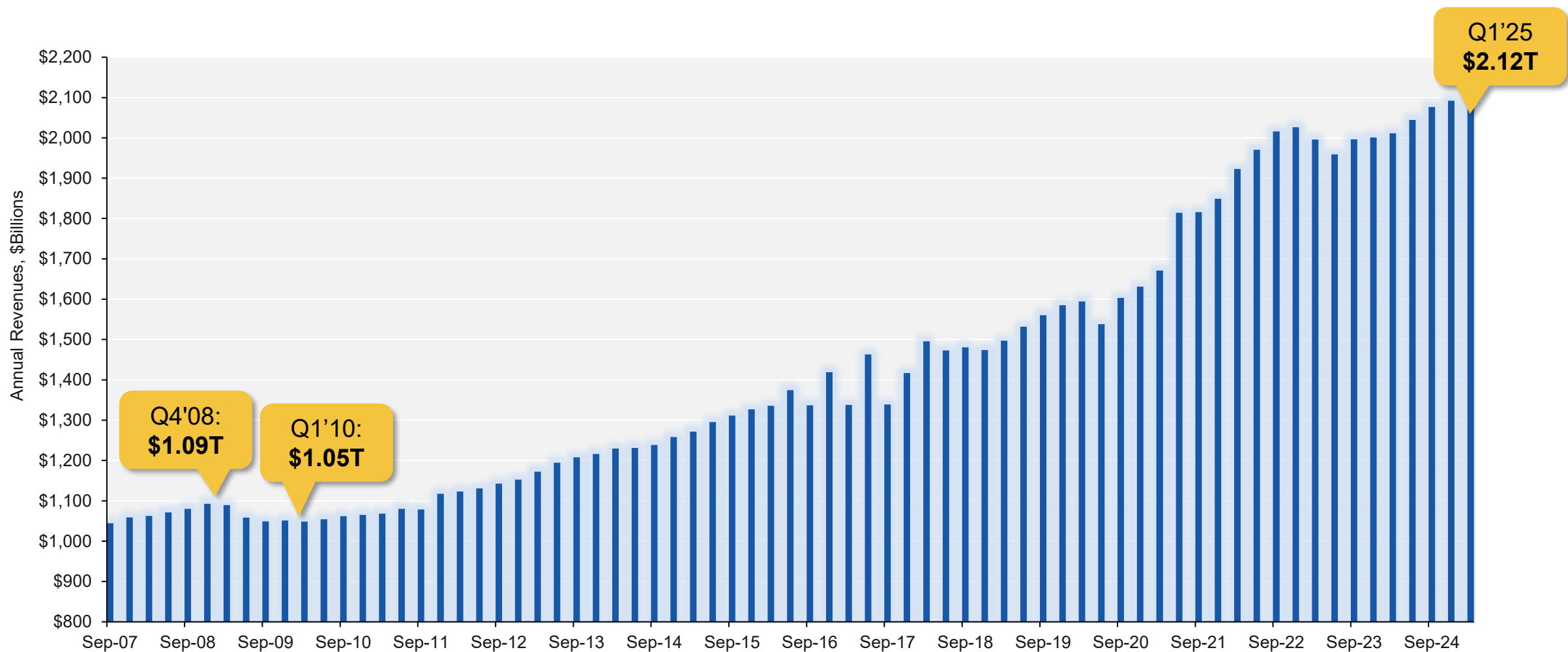
	Credit Quality	Average 10-Year Cumulative Default Rates	
	Moody's Rating	Municipals	Corporates
AVERAGE 10-YEAR CUMULATIVE DEFAULT RATES, 1970 – 2022	Aaa	0.00%	0.34%
	Aa	0.02%	0.75%
	A	0.10%	1.90%
	Baa	1.05%	3.64%
	Investment Grade	0.09%	2.23%
	Non-Investment Grade	6.84%	29.81%
	All Rated*	0.15%	10.72%

Source: Moody's, "Moody's US Municipal Bond Defaults and Recoveries, 1970–2022," July 2023. Data show the average 10-year cumulative default rates of Moody's rated corporate and municipal bonds for a study covering the period 1970–2022. \*Rating outlooks are not assigned to all rated entities. While municipal bonds are backed by municipalities, U.S. government securities, such as U.S. Treasury bills, are considered less risky since they are backed by the U.S. government. High-yielding, non-investment-grade bonds (junk bonds) involve higher risk than investment-grade bonds. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Although there may have been an increase in defaults for both Municipal Bonds and Corporate Bonds since 2019 the default rate for Municipal Bonds was still lower than that of Corporate Bonds.



# Municipal Bond Credit Fundamentals Remain Sound

State and local tax revenues have trended higher



Source: Census Bureau Quarterly Summary of State and Local Tax Revenue. Data indicate trailing 12-month revenue, calculated quarterly. The United States Census Bureau, officially the Bureau of the Census, is a principal agency of the U.S. Federal Statistical System, responsible for producing data about the American people and economy. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Quarterly state government tax revenue data as of 03/31/2025



# Key Reasons to Consider a Professional Bond Manager



# Today's Municipal Market:

## Questions to Consider



Where will you purchase bonds?



How will you structure your portfolio?



How much of the market can you access?



What will you do in the event of calls/maturities?



How will you choose individual credits?

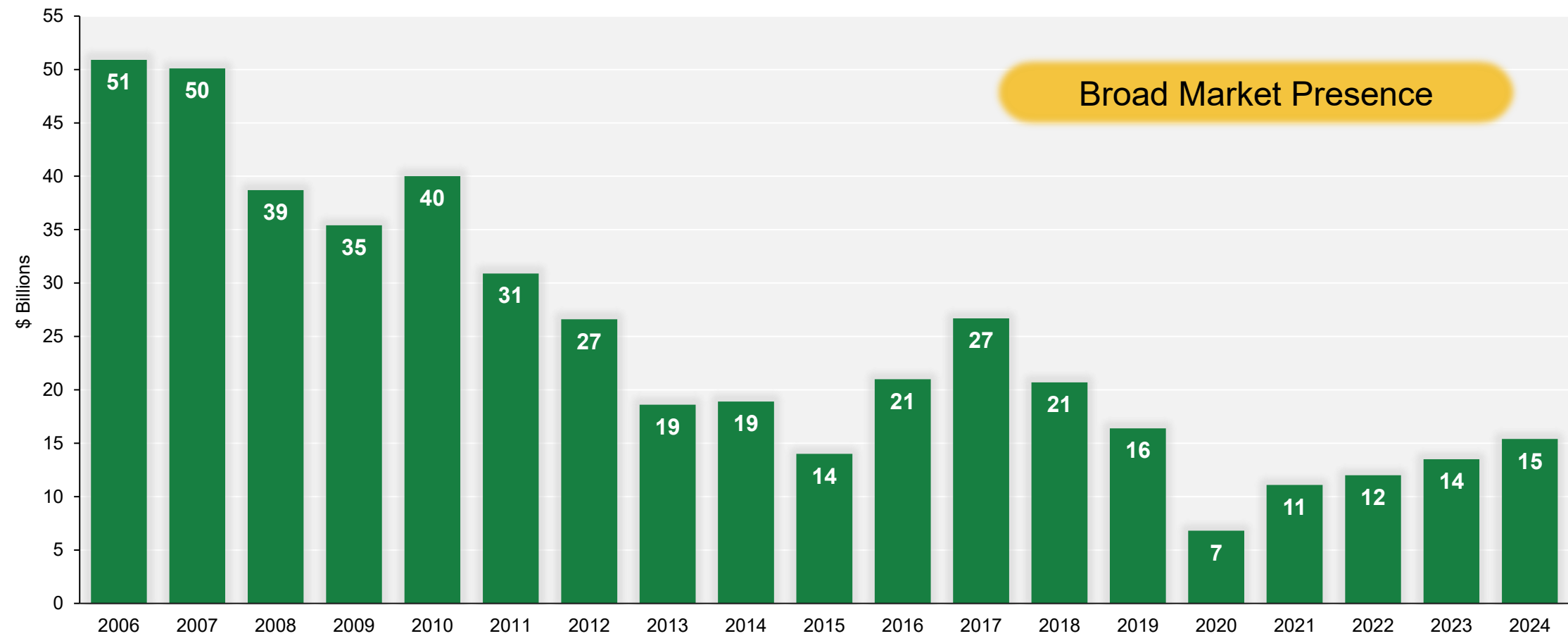


How will you monitor your holdings?

# Access to Bonds:

## Reduced Dealer Inventory Has Made Bonds Scarce<sup>1</sup>

A PROFESSIONAL MANAGER CAN PROVIDE ACCESS TO A WIDE RANGE OF MUNICIPAL SECURITIES



Broad Market Presence

Lord Abbett has access to over 100 dealers

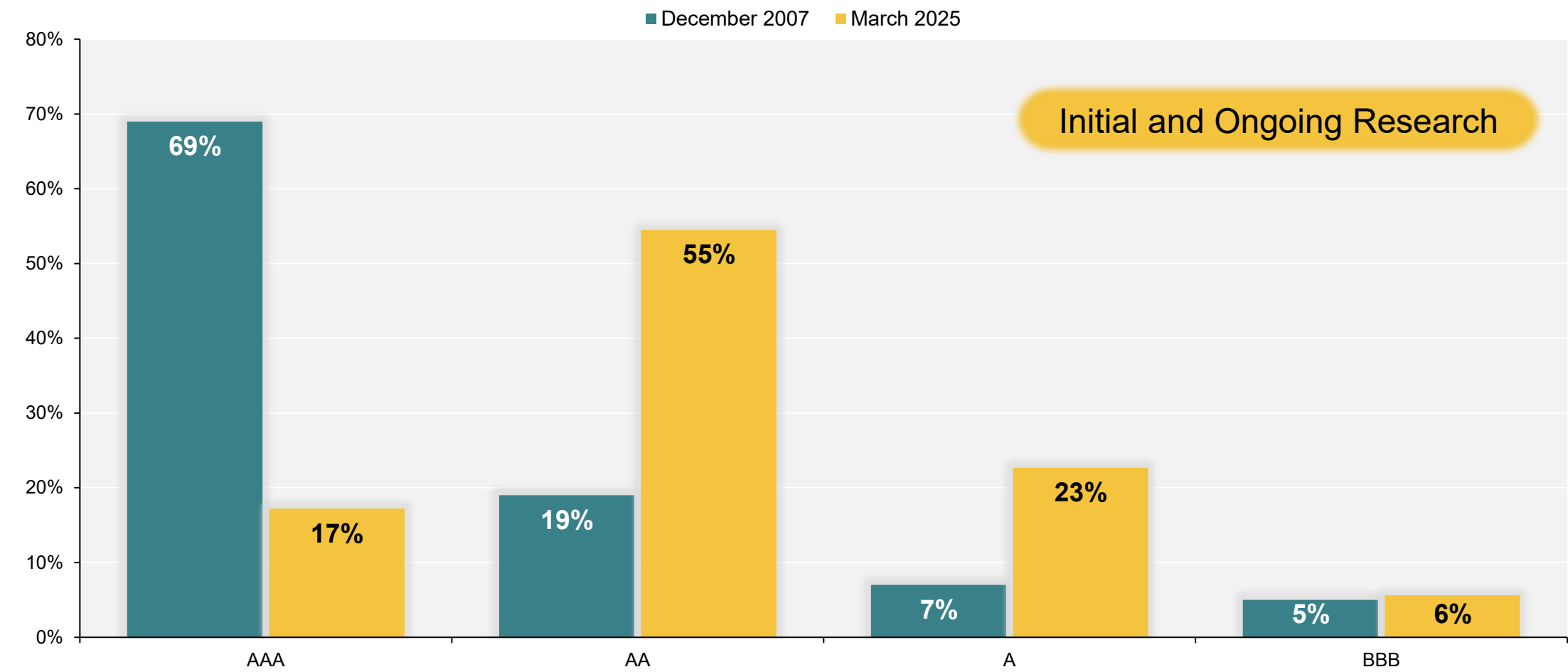
<sup>1</sup>Source: Federal Reserve Flow of Funds. Broker and dealers, municipal debt outstanding, NSA. Data are the most recent available, released on 03/12/2025.



# Rigorous Research:

## There Are Fewer AAA-Rated Bonds Available

A PROFESSIONAL MANAGER CAN PROVIDE IN DEPTH ANALYSIS OF CREDITS



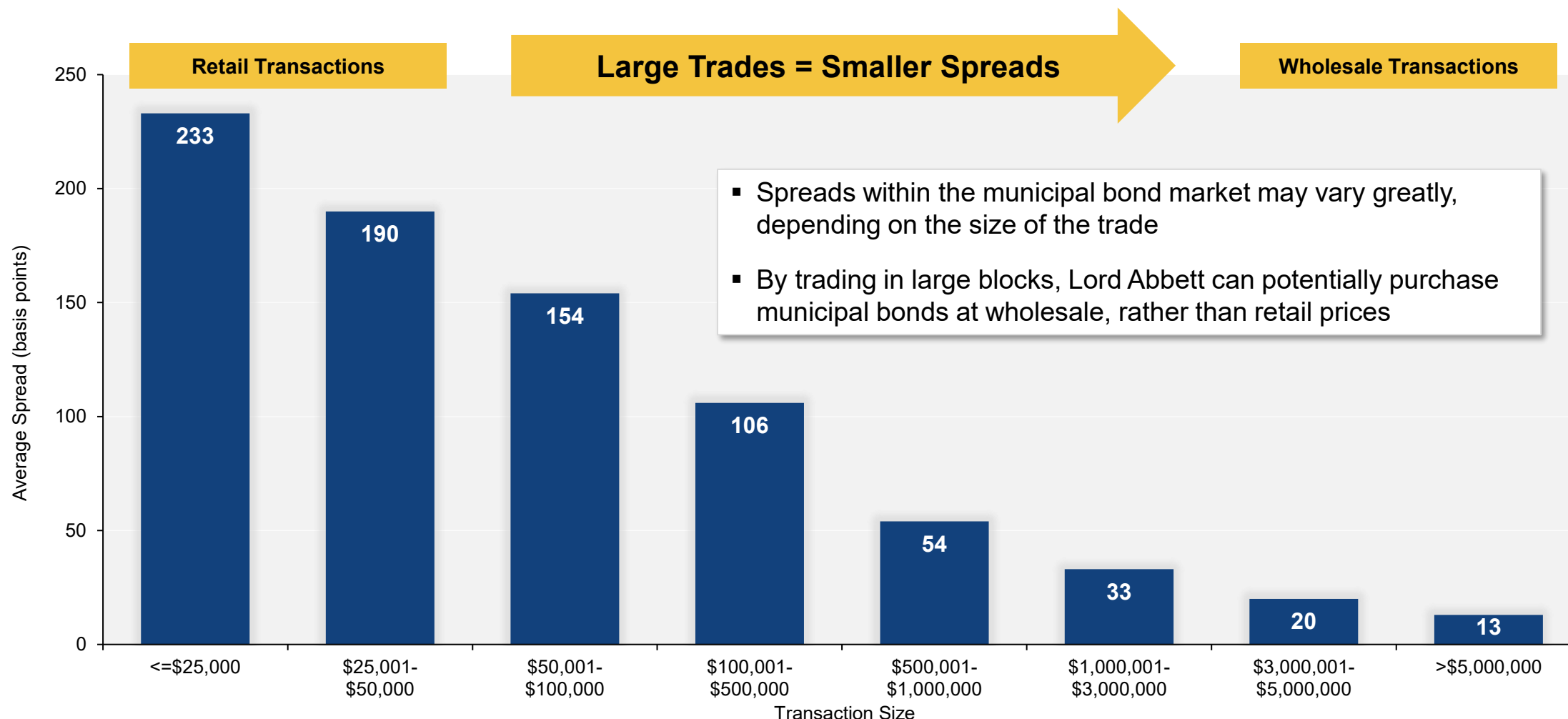
Source: Bloomberg Barclays Municipal Research. Breakdowns are as of 12/31/2007 and 06/30/2024, respectively. Totals may not add to 100% due to rounding. Please note: Credit ratings are derived from the major U.S. credit rating agencies. Bonds included in the index must be rated by at least two of the following ratings agencies: Moody's, Standard & Poor's, or Fitch. Income from municipal bonds may be subject to the alternative minimum tax. Federal, state, and local taxes may apply. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment.

# Institutional Pricing:

Trading in large blocks can potentially lower transaction costs



AVERAGE SPREAD IN BOND PRICING BY TRANSACTION SIZE



Source: "Report on Secondary Market Trading in the Municipal Securities Market," MSRB, July 2014; data are the most recent available. Although the data provided is from 2014 it is still representative of the relationship between transaction size and pricing spread in today's market. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment strategy. Income from municipal bonds may be subject to the alternative minimum tax. Federal, state, and local taxes may apply. A basis point is one one-hundredth of a percentage point.

An aerial photograph of the New York City skyline at sunset. The Freedom Tower is the most prominent building on the left, its glass facade reflecting the orange and yellow light of the setting sun. To its right, several other skyscrapers of varying heights and architectural styles are visible. The buildings are situated along the Hudson River, which occupies the foreground and right side of the image. A small boat is visible on the water in the lower right. The sky is filled with soft, orange-hued clouds, and the overall scene conveys a sense of urban grandeur and architectural achievement.

Why Lord Abbett?

# Lord Abnett Municipal Capabilities



## A LONG HISTORY OF MUNICIPALS

Managing Municipals Since 1984

Managing Municipal SMA Since 1990

\$40.1B+ in Municipal Assets

9 Tax-Free Income Mutual Funds

Over 21,000 SMA Client Accounts\*

## A DEEP, EXPERIENCED & TENURED TEAM\*

**Daniel S. Solender, CFA**

Partner & Director

38 Years

Lord Abnett: 19 Years

**Daniel T. Vande Velde**

Partner & Portfolio Manager

35 Years

Lord Abnett: 18 Years

**Philip B. Herman**

Partner & Portfolio Manager

26 Years

Lord Abnett: 18 Years

**Gregory M. Shuman, CFA**

Partner & Portfolio Manager

15 Years

Lord Abnett: 15 Years

**Daniel Lichtenberg, CFA**

Portfolio Manager

18 Years

Lord Abnett: 18 Years

**Christopher English, CFA**

Portfolio Manager

15 Years

Lord Abnett: 15 Years

5 Additional Portfolio Managers

11 Credit Research Analysts

22 Investment Professionals With an Average 14 Years of Industry Experience

## A BROAD RANGE OF SOLUTIONS; WHICH WE SEEK TO ADD ALPHA IN THREE WAYS:

Yield Curve Positioning

Deep Understanding of Sectors

Fundamental Research on  
Individual Credits

Source: Lord Abnett. \*As of 03/31/2025. For Illustrative Purposes only.

# Summary



## Why consider municipal bonds:

- Potential source of tax-free income
- High credit quality
- Historically low volatility



## Key reasons for professional management:

- Access to bonds
- Institutional pricing
- Initial and ongoing research



## Why Lord Abbett?

- A trusted muni legacy
- A deep, experienced team
- Historically attractive performance



# Speak with Your Financial Advisor

- Do munis make sense for you?
- How can you incorporate active management into your portfolio?

# Important Information



## Bloomberg Index Information:

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**The Bloomberg Municipal Bond Index** a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. Bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two ratings agencies. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

**The Bloomberg High Yield Municipal Bond Index** is an unmanaged index consisting of noninvestment-grade, unrated or below Ba1 bonds.

**The Bloomberg U.S. Aggregate Bond Index** represents securities that are SEC-registered, taxable, and dollar denominated. The 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. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

**The Bloomberg U.S. Corporate Bond Index** includes all publicly held issued, fixed-rate, nonconvertible investment-grade corporate debt. The index is composed of both U.S. and Brady bonds.

**The Bloomberg U.S. 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. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included.

**The Dow Jones Industrial Average (DJIA)** is an unmanaged index of common stocks comprised of major industrial companies and assumes the reinvestment of dividends and capital gains.

**The S&P 500® Index** is widely regarded as the standard for measuring large cap U.S. stock market performance and includes a representative sample of leading companies in leading industries.



# Important Information

**A Note about Risk:**

**Tax-Free Income:** There is a risk that a bond issued as tax-exempt may be reclassified by the IRS as taxable, creating taxable rather than tax-free income. In addition, bonds may be subject to other types of risk such as call, credit, liquidity, interest-rate, and general market risks. For all Lord Abbett Tax Free Funds (Tax Free Funds) a portion of the income derived from the Tax Free Fund's portfolio may be subject to the alternative minimum tax and any capital gains realized may be subject to taxation, in addition, federal, state, and local taxes may apply.

**Glossary**

**Treasury yield** is the return on investment on the U.S. government's debt obligations such as bonds, notes and bills.

**Taxable equivalent yield** is the pretax yield that a taxable bond needs to possess for its yield to be equal to that of a tax-free municipal bond. It does not reflect state and local income taxes or the alternative minimum tax, if any and will vary based on each investor's tax bracket.

**Yield to worst** is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting.

**Yield to maturity** is the total return anticipated on a bond if the bond is held until it matures. Yield to maturity is considered a long-term bond yield but is expressed as an annual rate.

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