Chris Lakumb So Chris, let's start with you this morning. If you could just provide a quick update on what you and the MacKay team are seeing in the municipal markets overall?

Chris Roberti Yeah, sure. Thanks a lot, Chris. Appreciate it. And much like the first quarter update, the second quarter was mixed yet again with high-yield municipals significantly outperforming investment-grade municipals. The investment grade muni index was down two basis points in the quarter. The high-yield municipal index was actually up 259 basis points. So that's quite a bit of outperformance. Part of that is a bifurcation we're seeing from a technical point of view where you've seen a pickup in supply on the investment grade side, which is pretty common during election season. A lot of issuers want to get it in before the election versus high-yield municipals, which has had less supply with more spread tightening flows and demand there, right? And so in essence, the second quarter has seen a surge of new issuance, 134 billion in the quarter of new issuance, which is the highest three-month total since 2021. Again, more focus on investment grade. This debt did send municipal yields a bit higher within the quarter, partly also due to declining expectations of monetary easing. Then in June, some seasonal tailwinds really kicked in to offset some of that additional supply. And that was really from reinvestment capital seasonality where principal and income comes due in the June, July timeframe. So that was a bit of an offset and a help and a boost during the quarter. Credit conditions continue to be very solid. They've been solid for a while at the foundation. It doesn't mean everything's great, but the foundation of credit is pretty strong. Improvements, quarter over quarter, with 68% of ratings actions being positive for the quarter. So that's just a bit of a backdrop. I'll hand it back over to you and to Steve.

Chris Lakumb Thanks, Chris. Steve, how about what you're seeing in the municipal closed-end fund market?

Steve O'Neill Sure. Thanks, Chris. Looking at the closed-end fund market, I mean, it's worth noting that most closed-end funds have flat total return for their NAV year to date, but many closed-end funds are up 5 to 7 percent. And so the difference between NAV and price performance is discount narrowing. And so closed-end funds have done certainly well from that standpoint year to date. Kind of as a reminder, closed-end fund discounts bottomed out at around 14% last October. And it's since narrowed to as narrow as 8% recently. So it's been a good run from that perspective. But historically, I think that still puts us right around the 85th percentile of cheapness going back 20 years. A big part of the discount narrowing has really just been kind of a normalization off a really wide base. Historically, a 10% discount was about as good as you got. And like I said, you just saw 14, 15 percent last fall. And so kind of going from 15 to 10, I'd say that was pretty much a normalization of the space. But we've seen some discount narrowing since then. And a lot of that's based off of improved performance. People like to see bond prices going up or at least closed-end fund prices going up. There's been some distribution changes, which I'll touch on in a bit. And also just the expectation that short-term rates are going to come down. And investors instinctively believe that closed-end funds will rally off that because they benefit from a steeper yield curve. And so it's been a good year for closed-end funds. It's been a good quarter for closed-end funds. But those returns are coming from discount narrowing and not NAV performance.

Chris Lakumb Thanks, Steve. That's a good point to make regarding discount narrowing versus NAV performance, particularly in light of discounts still being pretty attractive in that upper single-digit level. So it seems like still some room to run. But with that being said, Chris, any notes particular to the MacKay sleeves of the portfolio? Anything you all are doing, either top-down thinking or bottom-up?

Chris Roberti Yeah, sure. So if we look at the second quarter, the sleeves that we manage for the RiverNorth funds did well relative to the benchmark. Some of the contributors included positive contributions from our US Treasury Futures Hedge, which is really designed to dampen down duration a bit without sacrificing that exposure on the long end of the curve. At the same time, another positive attribute was exposure to lower-rated credits. As you can imagine, as I pointed out, it spreads tightening in credit. In terms of detractors, having an overweight to AA bonds, that was a bit of a detractor as A, BBB did slightly better, and also a slight detractor with some exposure to certain states like Illinois, Connecticut, New York. There aren't credit issues there. It was just a bit of underperformance versus the marketplace. In terms of positioning and what we're doing, we're always looking for the most optimum parts of the yield curve. We've tended to be a little bit underweight, intermediate because that's been a bit of a more expensive part of the market versus the long end, which is a bit more attractive. Again, keeping our duration in check at the same time. Sector-wise, mostly very solid credit foundation down the fairway, state and local geos, essential services, transportation, we've favored for a long time have definitely looked to get a little lighter on things like higher education. There's some pressures in certain pockets there. Tobacco

is another area. And then from a quality point of view, we may actually move up in quality a bit with that outperformance and high yield and abundance of issuance on the investment grade side, we've been able to put capital to work in higher-grade bonds at really nice levels. So those are a few things that I would point to.

Chris Lakumb — Chris, just one follow-up question before we move towards the outlook. You answered one of my questions in advance, which was going to be thinking about the allocation to the high-yield segment of the municipal space. You mentioned qualitying up there. How about on the taxable muni sides? I know the prospectuses allow for some room to allocate a portion of your sleeve to taxable munis. Any recent update to your thinking on that segment of the marketplace?

Chris Roberti — Yeah, I mean, we still think that that segment of the marketplace is compelling in a lot of different ways. You can pick up spread there versus treasuries versus corporates. And so we've been strategically looking at pockets of places to add that capital here and there. We like that space because the quality up mix is there. It's a AA average typically in the tax immunity space. You can pick up a nice yield profile with that quality-up posture. It's less efficient than other taxable fixed. And there's also total return potential. So I think the key is we would only want to go there if we felt as though on an absolute basis we were making up positive yardage versus the tax-exempt side. So we will continue to look at opportunistic moments to do that.

Chris Lakumb — Thanks, Chris. That's helpful. So then just opening it up. Maybe I'll start with you, Chris, on just the outlook or any parting thoughts, whether it relates to the municipal market overall or the funds specifically?

Chris Roberti — Yeah, for sure. I think when you look at the municipal market, we've definitely had a better tone over the last year or so. But we're still very constructive on the market when you look at levels, yield profile, and tax equivalence. Yields in general, if you think about this, the Bloomberg municipal bond index yield to worst is still a 362, which means that on a tax equivalent yield basis for the top tax bracket, that's a 611. When you think about investment-grade munis, that's pretty solid. Not to mention as an active manager like we are, we often seek to look to deliver additional alpha. We can't promise that, but we can look to try to do that through price appreciation, spread compression, and trading. And so that's one key component that we think keeps the market very attractive. Credit fundamentals, as alluded to, are very solid with a couple of exceptions. And we're big proponents, as always, of being active in this market. I think it's a marketplace where not everything's attractive, but if you to the extent you're working with a manager that can navigate, pick their spots, there's opportunity there. And last but not least, we do publish a weekly podcast, Muni 360. Again, that's Muni 360 podcast on all the big providers. So we publish something every week if you want to hear from us more frequently.

Chris Lakumb — Great. Thanks, Chris. Steve, back over to you if there's anything you want to share with respect to whether it's how you're thinking about allocating capital across the two sleeves or just outlook in general for the muni closed-end fund market as well as the fund?

Steve O'Neill — Yeah. I mean, I guess, to echo some of Chris's points, high quality. Fortunately, in the closed-end fund space, your closed-end funds are predominantly single A. And so we're playing in a higher-quality part of the market. The asset class remains relatively attractive. And you had mentioned discounts and how you were happy to hear that there was room to run. And as you said that, I realize I've probably not emphasized how good the opportunity still is. I think it's quite surprising to see that closed-end funds, most large closed-end funds are still right around a 10% discount. And I think that's surprising. One, historically, that's quite a wide discount level. But two, managers have really changed their philosophy towards managing closed-end funds, especially in the muni space. It's not an exaggeration to say that funds sponsors are falling over themselves to return capital to shareholders. And what that really means is distributing more return of capital, which is a good thing when you're buying a security at 90 cents on the dollar and they're giving you your money back at NAV. That's a good thing. We've also seen tender offers in the space. And so I'd say fund sponsors have been the most friendly to shareholders as we've really ever seen them. And I think that is good for a certain amount of discount narrowing.

And so to see funds still trading kind of in this 9, 10, 11 percent range. I think it's surprising, especially given, as Chris mentioned, the attractiveness of the asset class, the likelihood that borrowing costs are going to decline further in the future. I think that really sets up future interests for muni closed-end funds. And so for us, as I said, looking at discounts in the market today, we want to maintain a large allocation to these. About two-thirds of the equity capital in the funds or NAV is invested in closed-end funds. And that's an allocation that we've maintained for really the whole year. We did a good job of layering on exposure last fall. We worked with our partners at MacKay to sell cash bonds to buy a lot closed-end

funds in the October, September weakness. And so when we think about positioning in the portfolio today, we're really maintaining what we think is a large allocation to closed-end funds. And frankly, we're really optimistic that these names have room to run from just a bottom-up perspective. Muni closed-end funds really are our favorite idea across the space for all the funds that we manage. And we're certainly excited to have a really high allocation here for the RiverNorth MacKay funds.

Chris Lakumb — Thanks, Steve. I might just add as well, when we talk about muni closed-end fund discounts, the comments here today have mainly been centered around the closed-end funds that we own within the funds. But I think it's also worth pointing out that the funds themselves have been trading somewhere around, let's call it 5 to 7 percent discounts depending on the funds. So we think for those value-minded investors who look at closed-end funds on the secondary market, you effectively have access to what we call the double discount where you could potentially acquire one of our funds at a discount, which has substantial exposure to municipal closed-end funds trading at attractive discounts. So again, just adding that to the thought process for those that have been following the funds.

Steve O'Neill — Yeah. And Chris, let me add something as it relates to the funds themselves. The team at MacKay and my partners here at RiverNorth, we harvested a lot of tax losses in the past couple of years. And I think when you think about the funds that we're managing, it's really a hidden asset, I believe, on the balance sheet, which is fairly significant capital loss carryforwards. And that's for the RiverNorth funds. But then also, interestingly, for the closed-end funds that we own, the Nuveens and BlackRocks of the world, they did the same thing. And so I think it's uniquely interesting that these vehicles have some tax efficiency built in there. Not tax advice, but just an observation on the balance sheets in the market today.

Chris Lakumb — Thanks, Steve. That's a really good point to make. Again, one of those that probably flies under the radar unless you're actually digging through annual reports, semi-annual reports, etc., to actually look at the funds, financial statements. So thanks for making that point.

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