Chris Lakumb	Let's talk about the RiverNorth Mackay Shields. Municipal closed end funds. As you all know by now, we have 5 funds in the series. Ticker symbols, RMI, RMM, RFM, RFMZ and RMMZ and as we've done in prior updates, we'll just talk broadly about all five funds as a suite. And certainly, investors with any specific questions about one of the funds can either refer to our website or contact us directly. So, with that being said, let's start with Chris Roberti and Chris, if you could maybe provide just a very high-level update of what's going on with the municipal market overall.
Chris Roberti	Sure. Thanks a lot, Chris. Really appreciate it. So, on the heels of a, as we know a very challenging 2022, the first two quarters of this year have certainly been lackluster, right, sort of flat to slightly positive for the for the first half really from just overall rate volatility, inflation. You did have a little bit of tentativeness in the marketplace with the debt ceiling in the second quarter and then you had the FDIC (Federal Deposit Insurance Corporation) list of bonds for sale from the failed banks. So that just created a more muted landscape as you go into the third quarter and turn the page, volatility really escalated a bit more. It almost felt a little bit more like last year, if you will, the municipal investment grade index in the in the third quarter was down 395 basis points. The high yield municipal index was down 424. So those are those are big moves for the quarter. And fixed income yields rose consistently stemming from just the acceleration of the US economy. Heightened inflation concerns and just the potential tighter monetary policy. If we look at more specifically municipals, munis were just further impacted by continued mutual fund outflows. Now putting that in context, this year has been better than last year. Last year you had 130 billion in mutual fund outflows, which is a record by far and this year you have had around 10 billion in outflows, right, better but not great. And on top of that some seasonal supply dynamics have created some temporary weight to the marketplace.
Chris Lakumb	Thanks, Chris. That's a a good overview of the market. So I guess with that as context, Steve, would you like to walk through some high level Fund positioning, allocation, you know specifically how we're thinking about allocating capital across the two sleeves of the portfolio, the portfolios and then you know anything more fund specific that you like to address.
Steve O'Neill	Sure. Thanks, Chris. Yeah, like you said, we've got the capital allocated between two managers, RiverNorth and MacKay. You know, MacKay's managing a cash bond portfolio and RiverNorth is investing in closed-end municipal funds. When you look at the portfolio top down RiverNorth is managing about 40% of the portfolio. That's up from approximately 35% at the end of last quarter. Throughout the quarter, we had asked our partners at Mackay to sell cash bonds in the market. We used those proceeds to buy closed-end funds and that's how we increased our weight in the portfolio again from 35% to 40%.
Steve O'Neill	Thinking about other aspects of the portfolio that are noteworthy, the leverage on these funds is right around 40%. We kept that consistent throughout the quarter and that's fairly consistent going back since inception for these strategies, you know leverage is also certainly an important risk factor for these portfolios. You know, on average they were, call it 12 1/2 to 13 1/2 years. That's crept up a little bit as we've added more closed-end fund exposure, but well within the historical ranges for these strategies. You know, speaking specifically of closed-end funds, you know, we were deploying new capital during the quarter. You know, trying to take advantage of some of this discount widening. But across the board, discounts have been materially wider. Looking at our portfolios, you know the average discount today. For our funds, not the funds themselves, but the underlying holdings that we own are right around 15.5% discounts and those discounts widened out 250 to 300 basis points during the quarter. So, this was you know, to Chris's point, a really weak market for munis. You know those numbers were significant on cash bonds, but then you add 250 basis points to 300 basis points of additional loss to closed-end funds, because those discounts widened out substantially for the quarter. So again, that's how we're positioned about 40% RiverNorth and 60% MacKay and again just wanted to point out that we've been increasing closed- end fund exposure during this period of weakness.

Chris Lakumb	Thanks, Steve. You know, Chris, maybe we'll kick it back over to you then if there is anything you'd like to highlight with respect to the MacKay sleeves of the various portfolios?
Chris Roberti	Yeah. Thanks, Chris. And I've said this on prior updates, but I'll say it again, last year's dislocation absolutely set the stage, particularly for active managers like ourselves at MacKay Municipal Managers to really reset the portfolios with a couple of big themes, one significant boost in income across the board in terms of again moving into more compelling names, doing swaps and things of that nature. At the same time, which is rare to quality up in the portfolio because you're just simply getting paid to own quality on a relative value basis because the full market moved, so why not own it and also get a little defensive on credit at the same time. And then coupon structure, you know, there's been opportunities to add enhanced coupon structures across the board, whether it's higher income, whether it's higher coupon bonds or even lower coupon bonds at a discount where there is total return opportunity. In terms of what worked and what didn't work as well, you know contributors for the quarter were the Treasury futures hedge definitely helped as rates rose, being underweight water sewer bonds helped. Detracting a bit was having a longer maturity posture overweight, that all said, we think you should still be there because bonds on the long end of the curve are really the most attractive for the foreseeable future and also detracting a bit was being overweight, local general obligation bonds (GO) and transportation that was not a credit concern. That's just more about how some of those bonds are structured.
Chris Roberti	I think the point is these dislocations continue to present great opportunities for us, attractive structures and investment grade credits to just reposition and set the stage for when we have a better tone in the market. Looking ahead volatility we think could definitely persist for a little bit longer. We think we're towards the end of it, but I think the key is we're really constructive on the municipal market. If you look at yield levels, you know the Bloomberg Municipal index, we're seeing some of the highest yields in 10 years. If you look at the average for the index over 10 years, the average is 2.29 as of the end of September, it's over 200 basis points higher, where the yield to worst is a 432 on the benchmark. Plus, there's total return potential through active management. The other thing to think about is credit fundamentals are pretty solid, not across the board, but for the most part you've had strong income, sales tax collections, upgrades outpacing downgrades. So that's helpful. And then technicals are something to think about too. Right now, seasonal supply has picked up. So that's added a little bit of weight to the market in concert with some of the other factors we talked about, rates, and inflation. But year-over-year supply is down around 15% versus last year, borrowing costs have come up and issuers are getting more pragmatic. And then finally, you know, reinvestment season is ahead of us, which is a good municipal technical season where in December, January you have a very high volume of coupons and maturities coming due in the market looking to reinvest, in essence, having more dollars, chasing fewer bonds, so we are constructive on the market. There's a little bit of volatility of course, as we've seen in the third quarter.
Chris Lakumb	Thanks Chris. And I appreciate that you also kind of wrapped that part up with a little bit of an outlook there. You know thinking ahead, so maybe. Giving Steve the same opportunity to do so, Steve, any what should be top of mind for investors in the funds or anything that you'd like to share with respect to the outlook for municipal closed-end funds overall, especially as we're sitting here and roughly mid-October and you know generally the fourth quarter tends to be one of the potential for additional volatility from tax loss selling generally followed by a January effect as well. So again, anything that should be top of mind for investors as we think about the upcoming 3, 6, or 12 months.
Steve O'Neill	Yeah, definitely. I mean, I guess as you think about Chris's comments and you know how constructive MacKay is towards the muni market, there really is a lot of, you know, underlying opportunity in the asset class. And that's what makes the closed-end fund opportunity even more compelling. You know, today you're looking at 16%, 17%, 18% discounts for municipal closed-end funds. And that's really the widest that we've ever seen. You know, our team's

been trading, you know, since 2007 on a daily basis. And there certainly were a handful of weeks in October and November of 2008, where we saw discounts this wide, but we haven't seen them since. I think there was one day during, you know, March 2020 when we saw discounts at these levels. And so, you know, as an investor thinks about investments in closed-end funds, you have to first like the asset class and we certainly would agree with MacKay that the asset class looks attractive. And if you like the asset class then the closed-end fund is just an additional discount that we think really provides an opportunity to enhance total return from here. You know how are we taking advantage of this market.

Steve O'Neill

You know, I said earlier that we have been increasing closed-end fund exposure and we certainly plan to continue to do that. You know if cash bonds are cheap, closed-end funds at 17% are cheaper. We're also looking to harvest losses in the portfolio you know similar to what Chris said, you know they're looking to put on higher book yields, harvest the loss we're looking to, you know, just realize the loss in the portfolio, which is really helpful specifically for these strategies because we do have those futures positions on in the portfolio and as rates have gone up, we have a lot of short term capital gains on our hedging positions and so when we have the opportunity to harvest losses on the closed-end funds, that helps offset those short term capital gains. But again, I want to just be clear that we want to be a net buyer of closed-end funds in this market. You know, if we think about the very short term, Chris to your point, you know the fourth quarter can be a seasonally weak period for closed-end funds, certainly after a weak 2022 you kind of have this echo sell-off or aftershocks and we're seeing that. And so I think the September volatility just in the rates market combined with the fact that investors are looking at substantial losses in their closed-end fund portfolio, you saw a lot of investors, both retail and institutional try to get ahead of tax loss selling season, we saw a significant volume in the month of September, which just means that I think the kind of the bounce backs gets pulled forward a little bit. You know, if you're harvesting losses in September, the wash sale passes in late October, early November and so we could actually see some stability from here. There are some signs that that's, you know, the case already. The markets have become much more balanced in the closed-end fund space, there's more institutional buyers and those buyers are looking for blocks of anywhere from 100,000 to 1,000,000 shares, which is really significant in the closed-end fund space. And so, I certainly think we will be competing for shares in the closed-end fund market between now and year end, but without a doubt, this is the time for the RiverNorth team to be deploying capital in the closed-end fund space, discounts are certainly attractive. It's not without risk closed-end funds you know have continued to reduce their distribution rates. The flip side to that is there's been some distribution stability recently. The short end of the curve has not been obviously rising as fast as it was.

It's given managers a chance to reposition the asset side and so coverage ratios have improved, and distributions have been stable. Hopefully that you know that that fundamental factor you know further supports closed-end funds from here. But again, that's all for the next couple of months as we think about next year, you know, these discounts are really unsustainable. There will be a point in time when investors look to lock things in. There will be a point in time when investors think short term rates have peaked. And at that point in time, closed-end fund discounts could substantially rally, and we want to have a nice position for our investors when that time comes.

Chris Lakumb

Great. Thanks, Steve, and thanks, Chris. Appreciate you guys joining us today and appreciate the update.

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