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2Q25 RiverNorth Municipal CEFs Audio Review Transcript

Chris Lakumb	So, Chris, why don't we start with you if you'd like to provide a high-level overview of what's been going on in the municipal bond market?
Chris Roberti	Yeah. Sure. Thanks, Chris. Appreciate you having me. So, if you look at the second quarter, a little bit of challenge in the municipal ("muni") space. Muni's down in the quarter, particularly after a very challenging April that we saw. If you look at the Bloomberg Investment Grade Index, it was down around 12 basis points. The Bloomberg High Yield Municipal Index was down around 114. That's a little bit of a shift as high yield was holding up a little bit better in the earlier part of the year. Now, investment grade has, in essence, caught up a bit. And you did see some continued headwinds in the second quarter for municipals. There's a number of factors which I think many are aware of. Obviously, tariff uncertainty. The political landscape is fluid, to say the least. You did have the Moody's downgrade of US Treasury debt, largest quarterly supply in history to absorb. And this comes on the heels of a record year last year. So that just continues. And in our opinion, that creates, again, a buyer's market where we can play offense. And the fixed income yield curve steepened in the second quarter as it did in the first quarter. So, things have steepened in munis in particular. I think all that being said, considering that backdrop, munis have held in there pretty well. Investor cash flows, we know retail is so influential on fund flows. It's been pretty solid tone in terms of flows into the market. We've just been through or in the midst of reinvestment season with a lot of investment income and principal coming due into the marketplace. And I think we can't forget that we have pretty solid credit conditions in the muni market. It doesn't mean everywhere, but for the vast majority of the municipal landscape, pretty solid credit fundamentals in a landscape where things have cheapened and are pretty compelling in the muni world.
Chris Lakumb	Thanks, Chris. That's helpful. Steve, why don't we turn to you if you'd like to then transition into what you're seeing in the muni closed-end funds space?
Steve O'Neill	Sure. Thanks, Chris. Yeah. I mean, I guess I'll take a longer view, talk about year-to-date. I think the headline would be that muni closed-end funds are basically flat for the year. Obviously, the asset class is down, but muni closed-end funds are flat. And that obviously comes from discount narrowing. And so again, the market price in muni closed-end funds, roughly flat. The net asset values ("NAVs") are down about 400 basis points. And so, you've seen discounts narrow, kind of rough numbers, about 400 basis points, from a 10% discount to about 6% discount. There are certainly parts of the market within the closed-end fund space that are trading exceptionally well. That's in large part due to recent discount-- I'm sorry, distribution increases, which are really part of a discount management program. And so, think about some fund sponsors just over-distributing the distribution, giving people some return of capital in an effort to reduce the discount. That's really worked. That's part of the overall discount narrowing we've seen year-to-date. But I'd say the other half of the market that has more, I would say, sustainable/more of a pay what you earn model, those funds are still trading at pretty substantial discounts. In many cases, we really haven't gotten out of the 90th percentile of cheapness. And so overall, not much return to report for muni closed-end funds year-to-date, but the discount narrowing did offset the NAV decline. And I would say there's still pockets of opportunity out there.
Chris Lakumb	Thanks, Steve. Chris, why don't we go back to you if you'd like to dig a little bit deeper into the MacKay muni sleeves?
Chris Roberti	Sure. Yeah. Looking at the sleeves that MacKay Municipal Managers oversees for the RiverNorth Funds, the strategies we've had have typically, and we think correctly, a little bit more of a longer maturity posture, right? If you look at the yield curve, intermediate munis are rich. The long end of the curve is attractive. But that said, there's been such a voracious appetite for bonds and intermediate that that part of the market continues to tighten and outperform. The long end has underperformed a bit. But we still have a lot of conviction on that long end of the curve because it is so cheap relative to Treasuries. So, the point is longer duration municipal bonds in the portfolio underperformed as the curve steepen again in the second quarter. But again, we believe that is the

place to be as the market tone firms up over the long term. Those long-end bonds, we think, will have a lot of demand from a lot of players in our market.

Transportation bonds were a detractor. Contributing were some 4% coupon bonds that did quite well within the funds. If we kind of take a minute to spend on looking ahead, I'll reiterate, we do think that long end of the curve is the most compelling. So, for example, we look at muni yields versus Treasury yields as a measure of relative value. And you look at the long end, muni yields versus Treasury yields are roughly 90, 95 percent of Treasury yields, meaning you're getting almost the same amount of income as you would in Treasuries, which aren't even factoring in the tax-exempt nature in munis. We think over the long term, there will be demand for those bonds as flows pick up and there's more clarity in the market landscape.

I think overall, too, when the retail marketplace and others are looking at tax equivalent yields, if you're getting a high-3, low-4 percent tax-free, that puts you in the camp of tax equivalent yield in the neighborhood of 5 to 7 or 6 to 8, depending upon your tax bracket, which is really, really compelling. It doesn't really even factor in the ability to capture more return through trading and spread compression. And so, I think, on one hand, there is still some macro uncertainty that we talked about around tariffs and budgets. And at the same time, you did have the passage of the One Big Beautiful Bill, which does give the market some clarity and relief in terms of the tax-exempt nature in munis standing the test of time. We've believed that for a while, but there was some concern around whether or not that would be changed. And all indications are that the tax-exempt nature of munis will remain intact, so that itself gives the market some clarity and comfort around that point. And so, I think overall, at these levels, considering credit fundamentals being pretty solid, we think investors are getting well compensated for any uncertainty out there in the muni landscape.

Chris Lakumb — Thanks, Chris. Back over to you, Steve. Would you like to talk about anything specific within the RiverNorth sleeves and/or if you want to touch on how you're thinking about or how we're thinking about allocating capital across both the River North and MacKay portions of the portfolio?

Steve O'Neill — Yeah. No, good question. Yeah. Let's just start at the top. As we think about the portfolio, obviously, we've got the RiverNorth closed-end fund trading sleeve. And then Chris and his team are running the muni bond cash portfolio. The capital is roughly 60% allocated to MacKay today versus 40% RiverNorth. That's been relatively constant quarter over quarter. I would consider that on our sleeve a high allocation to closed-end funds. I would say as we look forward as parts of the closed-end fund market mean revert and start trading at relatively narrow discounts, we're going to use that opportunity to sell the closed-end funds, book that alpha from discount narrowing, and then allocate to MacKay and let them put money to work in what they think is a buyer's market. And so, again, at a high level, investors are currently getting about 60% of the portfolio of MacKay, 40% in RiverNorth. I think the MacKay sleeve will continue to increase if and when discounts continue to narrow.

Chris mentioned duration, so I might as well just kind of mention that at a fund level. We report duration two ways. We report it at a total assets perspective and a managed assets perspective, depending on how you want to look at it. On a managed assets perspective, the funds generally are around 7.5 years of duration. And on net assets, it's kind of like 12.25 to 12.5. Also thinking about the leverage of these portfolios, we're operating each of them right around 40%. And so, I would consider those kind of the high-level risk stats, again, within our sleeve specifically. I would just kind of reiterate the comment that there's part of the muni closed-end fund market that is doing really well, again, from a discount-narrowing perspective. There's some very large, I'd say, higher-profile muni closed-end funds trading at 2 to 3 percent discounts, which kind of puts them in the 25th percentile of cheapness.

And so that's an opportunity where we will either monetize that and rotate into what we would say is a closed-end fund with more value or discount narrowing opportunity, or we're going to send it to MacKay. And so, I would say from our sleeve's perspective, we're going to see some higher turnover. We may maintain closed-end fund exposure. But if we can't find a suitable replacement for some of our sells, again, we will be looking to allocate to MacKay, which I think is a win-win either way, given the fact that the market is presenting us with some opportunity on the cash bond side.

Chris Lakumb — Very good. Well, thank you, Chris, and thank you, Steve, as always. Appreciate your thoughts today.

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