FOR INSTITUTIONAL INVESTORS ONLY. NOT TO BE DISTRIBUTED TO RETAIL CLIENTS.
This strategy is offered by Insight North America LLC (INA) in the United States. INA is part of Insight Investment. Performance presented is that of Insight Investment and should not specifically be viewed as the performance of INA. Please refer to the important disclosures at the back of this document.

AUGUST 2023

HOW US MUNICIPAL BONDS CAN COMPLEMENT US CREDIT EXPOSURE

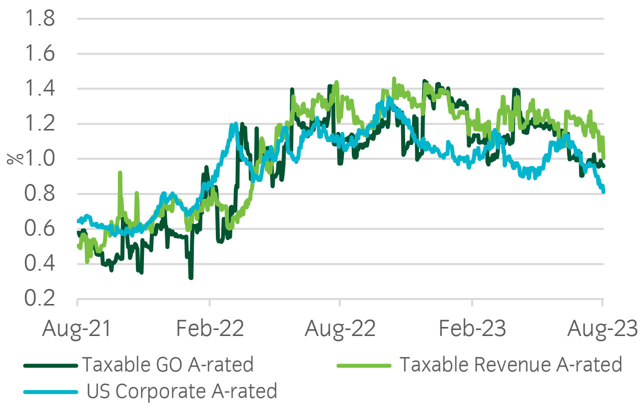
WITH YIELDS BACK AT PRE-FINANCIAL CRISIS LEVELS AND CREDIT SPREADS WIDENING, WE ARE OBSERVING AN INCREASING NUMBER OF CLIENTS SEEKING TO ALLOCATE TO INVESTMENT GRADE CREDIT. IN OUR VIEW, MUNICIPAL BONDS ARE AN ASSET CLASS THAT SHOULD BE INVESTIGATED AS PART OF THIS PROCESS, OFFERING SEVERAL ADVANTAGES RELATIVE TO US CORPORATE BONDS.

SIX REASONS WE BELIEVE YOU SHOULD LOOK AT MUNIS AS PART OF YOUR US CREDIT EXPOSURE

1. Attractive spreads, with historically less volatility than corporates

Taxable munis, which are the most common type of muni for non-US investors to purchase, generally trade at a comparable spread to investment grade corporate bonds (see Figure 1) with a similar credit rating. In our view, this represents an attractive way to enjoy the incremental income available in credit markets, in an asset that has historically had lower spread volatility, and which should provide the opportunity to benefit if broader credit spreads tighten. The 360-day volatility of the spread of the US Bloomberg Taxable Muni Investment Grade Index is 21.7%, significantly lower than the 360-day volatility of the Bloomberg US Corporate Agg at 30.4%[1].

Figure 1: Taxable muni spreads are correlated with broader credit markets, but with less volatility[2]



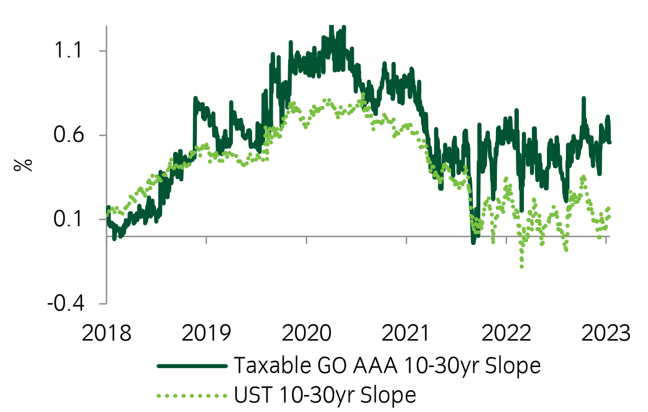
2. A steep yield curve with longer duration

For those investors seeking to lock in yields over a longer period, possibly to match a future liability, municipal bonds offer the ability to do so. The Bloomberg Taxable Muni Investment Grade Index has a duration of 8.13 years versus 7.15 years for the Bloomberg US Corporate Investment Grade Index[2].

The longer duration of the muni index should also mean that it is well placed to outperform its corporate equivalent once the Federal Reserve start to ease policy, which is currently expected to start during 2024.

In our view, the steeper yield curve in taxable municipal bonds relative to Treasuries (see Figure 2) is another compelling feature of the muni market. This allows longer duration trades to be taken without the sharp drop in yields that would occur in Treasury markets but limiting the increase in default risk that normally results from a non-Treasury allocation.

Figure 2: A steep curve makes longer maturities attractive [3]



[1] Source: Bloomberg. Data as of August 15, 2023.

[2] Source: Bloomberg. Data as of July 31, 2023.

[3] Source: Bloomberg. Data as of July 31, 2023.

3. Generally higher credit quality

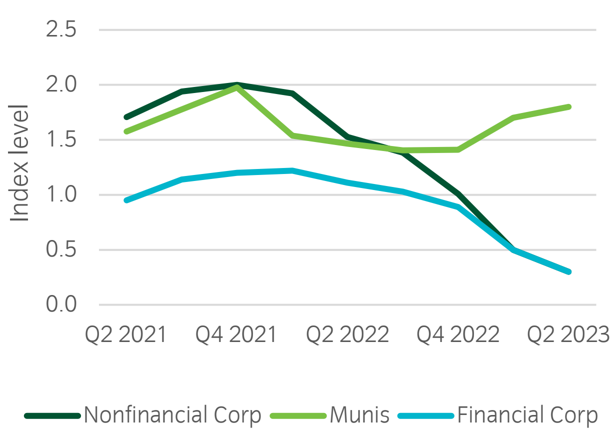
In aggregate, taxable muni bonds have a higher credit rating relative to US investment grade corporates – the Bloomberg Municipal Bond Index has an average credit rating of Aa2/Aa3 versus an average rating of A3/Baa1 for the Bloomberg US Corporate Investment Grade Index[4].

We believe the decision by Fitch Ratings to downgrade the US sovereign debt rating from AAA to AA+ has minimal impact on the muni market, as there is no sovereign ceiling and a number of individual states continue to be rated AAA by Fitch.

A key attribute of most munis is a direct link to the revenue streams of underlying infrastructure assets, or the backing of the tax revenue streams of individual states. This makes the credit rating of munis more resilient to changes in credit conditions.

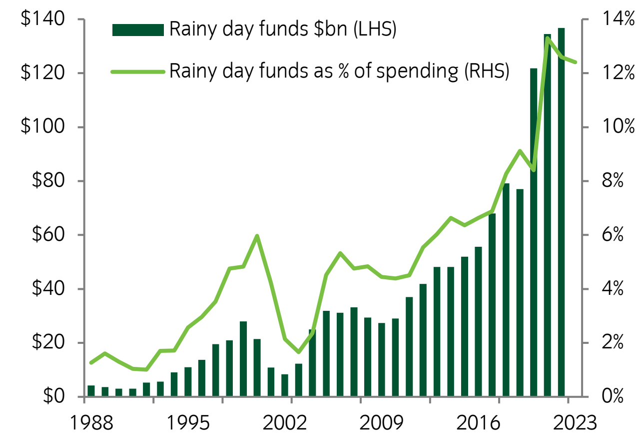
This can be clearly demonstrated when looking at the Moody's credit compass score, which captures trends in credit conditions. Slower growth and more difficult financing conditions have seen the backdrop for corporate credit shift to more neutral territory, but credit conditions for munis remain strong (see Figure 3).

Figure 3: Munis are more resilient to current conditions than corporates[5]



Most US states set their 2024 financial year budgets very conservatively, with many building in forecasts of a mild recession over the year and committing to only very limited spending increases. With the economic backdrop proving more resilient than expected and given the replenishment of reserves over the last few years (see Figure 4), states should be very well positioned over the years ahead.

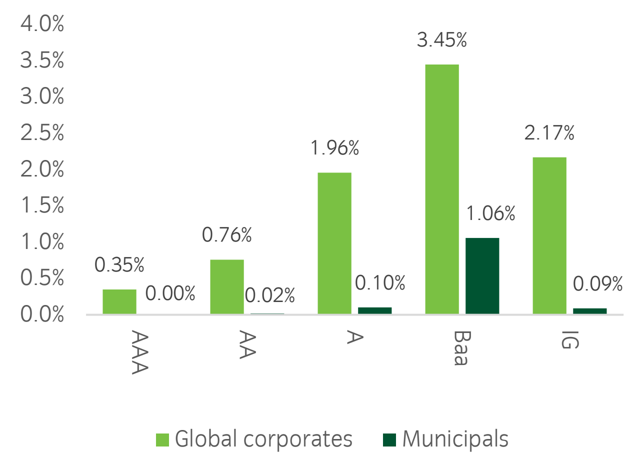
Figure 4: US State rainy day funds have surged post-pandemic[6]



4. Defaults have historically been lower for munis

From 1970 to 2021, investment grade muni bonds experienced a cumulative default rate of only 0.09% versus 2.17% of IG global corporates within 10 years of issuance. In addition, munis have displayed a lower default rate for any given credit rating (see Figure 5). The ability for muni issuers to honor their debts to bond holders reflect the fact that many of these public corporations are virtual monopolies that deliver services with inelastic demand to the public.

Figure 5: Historical default rates have been far lower for munis[7]



[4] Source: Barclays. Data as of July 31, 2023.

[5] Moody's credit conditions compass. Ranges: From -2 to -1 (stressed), -1 to 0 (weak), 0 to +1 (neutral), +1 to +2 (strong).

[6] Source: Urban Institute, BAML; National Association of State Budget Officers (NASBO) Fiscal Survey of States, January 2023.

[7] Source: Moody's cumulative default rates by rating category, 1970-2021.

5. Munis can have natural ESG attributes

The US municipal bond market is a natural fit for investors with sustainability goals, with bonds financing projects and services that promote positive social and environmental outcomes. Municipal bond issuance is a vital financing source for the construction and maintenance of critical US public infrastructure.

Funded municipal projects largely impact both the physical and social fabric of US society with investments in roads, bridges, water and sewer systems, hospitals, schools, universities, and affordable housing, among many others.

The Municipal Bond Team may assign a municipal bond an 'impact code' to highlight the nature of any positive environmental or social impact targeted by that bond.

The team will assess certain securities' use of proceeds to identify and categorize what project(s) are targeted to be financed. For mandates with ESG impact criteria or guidelines, each bond's use of proceeds will need to fall within the positive social or environmental themes listed in our proprietary impact framework.

6. Munis potentially offer diversification benefits

Municipal bonds (both taxable and tax-exempt) can provide risk management benefits to portfolio managers. An allocation to the asset class can reduce portfolio volatility given its historically low correlation to other fixed income sectors and equities (see Figure 6). This makes an allocation to munis potentially attractive even within a larger corporate bond allocation.

Figure 6: Munis have historically offered potential diversification benefits versus other asset classes[8]

	Bloomberg Taxable Municipal Index	Bloomberg US Aggregate Index	Bloomberg Treasury Index	Bloomberg Corporate Index	Bloomberg Global Aggregate Index	Bloomberg Emerging USD Aggregate Index	S&P 500
Bloomberg Taxable Municipal Index	1.00						
Bloomberg US Aggregate Index	0.79	1.00					
Bloomberg Treasury Index	0.69	0.91	1.00				
Bloomberg Corporate Index	0.70	0.86	0.61	1.00			
Bloomberg Global Aggregate Index	0.57	0.76	0.64	0.71	1.00		
Bloomberg Emerging USD Aggregate Index	0.49	0.38	0.13	0.58	0.39	1.00	
S&P 500	0.08	0.07	-0.20	0.33	0.22	0.58	1.00

[8] Source: Barclays, Merrill Lynch and Bloomberg as of September 30, 2022. Data is gross of fees. Diversification cannot ensure a profit or protect against loss in declining markets. All investments involve some level of risk, including loss of principal.

FIND OUT MORE

Insight Investment
200 Park Avenue, 7th Floor
New York, NY 10166
212-527-1800

inquiries@insightinvestment.com
company/insight-investment-north-america
@InsightInvestUS
www.insightinvestment.com

IMPORTANT DISCLOSURES

This document has been prepared by Insight North America LLC (INA), a registered investment adviser under the Investment Advisers Act of 1940 and regulated by the US Securities and Exchange Commission. INA is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited, Insight Investment International Limited and Insight Investment Management (Europe) Limited (IIMEL).

Opinions expressed herein are current opinions of Insight, and are subject to change without notice. Insight assumes no responsibility to update such information or to notify a client of any changes. Any outlooks, forecasts or portfolio weightings presented herein are as of the date appearing on this material only and are also subject to change without notice. Insight disclaims any responsibility to update such views. No forecasts can be guaranteed.

Nothing in this document is intended to constitute an offer or solicitation to sell or a solicitation of an offer to buy any product or service (nor shall any product or service be offered or sold to any person) in any jurisdiction in which either (a) INA is not licensed to conduct business, and/or (b) an offer, solicitation, purchase or sale would be unavailable or unlawful.

This document should not be duplicated, amended, or forwarded to a third party without consent from INA. This is a marketing document intended for institutional investors only and should not be made available to or relied upon by retail investors. This material is provided for general information only and should not be construed as investment advice or a recommendation. You should consult with your adviser to determine whether any particular investment strategy is appropriate.

Assets under management (AUM) represented by the value of the client's assets or liabilities Insight is asked to manage. These will primarily be the mark-to-market value of securities managed on behalf of clients, including collateral if applicable. Where a client mandate requires Insight to manage some or all of a client's liabilities (e.g. LDI strategies), AUM will be equal to the value of the client specific liability benchmark and/or the notional value of other risk exposure through the use of derivatives. Regulatory assets under management without exposures can be provided upon request. Unless otherwise specified, the performance shown herein is that of Insight Investment (for Global Investment Performance Standards (GIPS), the 'firm') and not specifically of Insight North America. A copy of the GIPS composite disclosure page is available upon request.

Past performance is not a guide to future performance, which will vary. The value of investments and any income from them will fluctuate and is not guaranteed (this may partly be due to exchange rate changes). Future returns are not guaranteed and a loss of principal may occur.

Targeted returns intend to demonstrate that the strategy is managed in such a manner as to seek to achieve the target return over a normal market cycle based on what Insight has observed in the market, generally, over the course of an investment cycle. In no circumstances should the targeted returns be regarded as a representation, warranty or prediction that the specific deal will reflect any particular performance or that it will achieve or is likely to achieve any particular result or that investors will be able to avoid losses, including total losses of their investment.

The information shown is derived from a representative account deemed to appropriately represent the management styles herein. Each investor's portfolio is individually managed and may vary from the information shown. The mention of a specific security is not a recommendation to buy or sell such security. The specific securities identified are not representative of all the securities purchased, sold or recommended for advisory clients. It should not be assumed that an investment in the securities identified will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed.

The quoted benchmarks within this document do not reflect deductions for fees, expenses or taxes. These benchmarks are unmanaged and cannot be purchased directly by investors. Benchmark performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. There may be material factors relevant to any such comparison such as differences in volatility, and regulatory and legal restrictions between the indices shown and the strategy.

Transactions in foreign securities may be executed and settled in local markets. Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved.

Insight does not provide tax or legal advice to its clients and all investors are strongly urged to consult their tax and legal advisors regarding any potential strategy or investment.

Information herein may contain, include or is based upon forward-looking statements within the meaning of the federal securities laws, specifically Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include all statements, other than statements of historical fact, that address future activities, events or developments, including without limitation, business or investment strategy or measures to implement strategy, competitive strengths, goals expansion and growth of our business, plans, prospects and references to future or success. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe', and other similar words are intended to identify these forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results or outcomes. Consequently, no forward-looking statement can be guaranteed. Our actual results or outcomes may vary materially. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Insight and BNY Mellon Securities Corporation are subsidiaries of BNY Mellon. BNYMSC is a registered broker and FINRA member. BNY Mellon is the corporate brand of the Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally. Products and services may be provided under various brand names and in various countries by subsidiaries, affiliates and joint ventures of the Bank of New York Mellon Corporation where authorized and regulated as required within each jurisdiction. Unless you are notified to the contrary, the products and services mentioned are not insured by the FDIC (or by any government entity) and are not guaranteed by or obligations of the Bank of New York Mellon Corporation or any of its affiliates. The Bank of New York Mellon Corporation assumes no responsibility for the accuracy or completeness of the above data and disclaims all expressed or implied warranties in connection there with. Personnel of certain of our BNY Mellon affiliates may act as: (i) registered representatives of BNY Mellon Securities Corporation (in its capacity as a registered broker-dealer) to offer securities, (ii) officers of the Bank of New York Mellon (a New York chartered bank) to offer bank-maintained collective investment funds and (iii) associated persons of BNY Mellon Securities Corporation (in its capacity as a registered investment adviser) to offer separately managed accounts managed by BNY Mellon Investment Management firms.

Disclaimer for Non-US Clients: Prospective clients should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the purchase and ongoing provision of advisory services. No regulator or government authority has reviewed this document or the merits of the products and services referenced herein.

This document is directed and intended for 'institutional investors' (as such term is defined in various jurisdictions). By accepting this document, you agree (a) to keep all information contained herein (the 'Information') confidential, (b) not use the Information for any purpose other than to evaluate a potential investment in any product described herein, and (c) not to distribute the Information to any person other than persons within your organization or to your client that has engaged you to evaluate an investment in such product.

Telephone conversations may be recorded in accordance with applicable laws.

INDEX DEFINITIONS

Information about the indices shown here is provided to allow for comparison of the performance of the strategy to that of certain well known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the indices represented do not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategy's holdings may differ substantially from the securities that comprise the indices shown.

The **Bloomberg Taxable Muni Investment Grade Index** measures market performance of USD-denominated investment grade US municipal bonds

The **Bloomberg US Corporate Investment Grade Index** measures market performance of USD-denominated investment grade US corporate bonds