Interest Rate Update [10-26-2026]

In RSW's Third Quarter commentary, we wrote:

> *"Our best guess is that the 10-year could reach a 5.25% to 5.40% range. I'm not saying it will. I'm saying that, given the forces working against the bond market, it's plausible."*

Current View

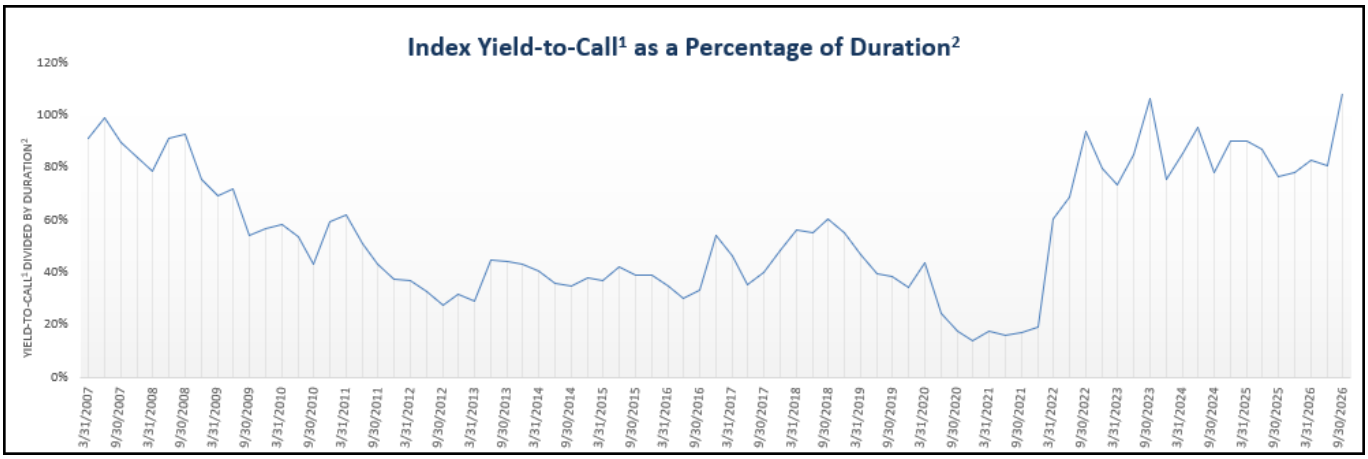
With the 10-year U.S. Treasury yield reaching 5.37% in October, it entered the range RSW identified as offering a more attractive risk/reward balance. We believe the peak in yields for this cycle is likely behind us.

Higher yields have improved the opportunity to lock in attractive tax-exempt income while extending maturities. As yields moved higher, we selectively added duration to client portfolios, recognizing that the near-term impact of further rate increases could be uncomfortable.

The chart below puts the current opportunity in historical perspective, showing how favorably the yield available on 5-year municipal bonds (RSW's benchmark) compares with the interest-rate risk investors can assume.

An Unusual Alignment: Yield Meets Duration

The Yield-to-Call on the Bloomberg 5-Year Municipal Bond Index[3] is the same numerical level as its duration:



Only ***twice*** in the past ***20 years*** have investors been rewarded this attractively for the yield received relative to the interest-rate risk assumed.

Looking ahead, we would view any significant market weakness as an opportunity to further extend duration and increase interest-rate sensitivity in client portfolios, enhancing tax-exempt income and positioning portfolios to capture greater price appreciation should yields decline.

[1]*The yield to call is the yield an investor would most likely realize if the security is bought and held to the first call date.*
[2]*Duration is a measurement of a security or portfolio's priced volatility based on maturity, call features and coupon rate. The larger the number, the greater the price change for a given interest rate change. Even though durations are expressed in years, they take into account bond coupons as well a maturities; thus duration is a better indicator of a bond's market price volatility (as yields change) than maturity or "priced-to-date" alone. Duration is the estimated percentage change of the price of a security for a 100 basis point change in yield and is the term most widely used in practice by professional portfolio managers. (100 basis points equal one percent).*
[3]*RSW's stated benchmark for Market Duration.*

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All performance referenced is historical and is no guarantee of future results.