RAYMOND JAMES | INVESTMENT MANAGEMENT

RJ Eagle Municipal Income ETF

QUARTERLY COMMENTARY

THIRD QUARTER 2026

Market overview

Municipal bonds faced a challenging third quarter, with market weakness accelerating sharply in September. The Bloomberg Municipal Bond Index returned -4.36% during the month, its worst monthly performance since September 2008. This brought the index's third-quarter return to -6.35% and its year-to-date return to -4.18%. Municipals also underperformed US Treasuries by 358 basis points during the quarter, as Treasuries returned -2.77%.

Several factors converged to pressure the market. Strong reinvestment demand, which typically supports municipals during the summer, faded while issuance remained historically elevated. This created a less favorable supply and demand backdrop. At the same time, inflation concerns and expectations for tighter US Federal Reserve policy pushed interest rates higher, while mutual fund outflows, tax-loss harvesting, and portfolio repositioning added to selling pressure.

Performance was negative across the yield curve during the quarter, with losses generally increasing with duration. The Bloomberg 1-Year, 5-Year, 10-Year, 20-Year, and 22+ Year Municipal Bond Indices returned -0.85%, -3.55%, -6.07%, -9.04%, and -8.68%, respectively. The sell-off was driven not by credit concerns but by higher interest rates and unfavorable market technicals.

Both Treasury and AAA municipal yields moved significantly higher during the quarter. The 10-year AAA municipal yield rose 124 basis points, from 2.89% at the end of the second quarter to 4.13% at the end of the third quarter. The sharp increase in municipal yields pushed Municipal/Treasury ratios to some of their most attractive levels since the fourth quarter of 2008, leaving relative value attractive across the curve. During the quarter, the 2-year, 10-year, and 30-year ratios increased by 17 percentage points (pp), 13 pp, and 10 pp, respectively, ending the quarter at 73%, 78%, and 93%.

Fund review

Top securities

In the third quarter, the top-performing securities in the RJ Eagle Municipal Income ETF (the Fund) were:

- Will County, IL High School District #204 5.00% 01/01/2036
- Long Island, NY Power Authority Electric System Revenue 5.00% 09/01/2026

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the ETFs, please call 1-800-421-4184. Read the prospectus or summary prospectus carefully before investing.

Investment team

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Characteristics

Total net assets (millions): $35.81

Number of holdings: 114

Top 10 holdings

Texas Municipal Gas Acquisition & Supply Corp IV 5.5% 01/01/2054

Kentucky Municipal Energy Agency 5% 01/01/2037

New York City Transitional Finance Authority Future Tax Secured Revenue 5% 05/01/2044

County of Broward FL Port Facilities Revenue 4% 09/01/2044

Godwin Heights Public Schools 5% 05/01/2042

Rensselaer County Capital Resource Corp 5.25% 04/01/2045

US Bank Money Market Deposit Account 06/01/2031

Buckeye Tobacco Settlement Financing Authority 5% 06/01/2036

City of Salt Lake City UT Airport Revenue 5% 07/01/2031

Southeast Energy Authority A Cooperative District 5.25% 11/01/2055

- Kentucky Property & Buildings Commission 5.00% 10/01/2032
- Maryland Health & Higher Education Facilities Authority 2.35% 08/20/2026
- Knox County, TN Covenant Health 5.00% 01/01/2036

Bottom securities

In the third quarter, the Fund's bottom-performing securities were:

- New York City Transitional Finance Authority 5.00% 05/01/2044
- Godwin Heights, MI Public Schools 5.00% 05/01/2042
- Westfield, MA 4.00% 05/01/2043
- Jackson County, MO Special Obligation 3.00% 12/01/2036
- Ohio Higher Education Facilities Commission Healthcare Revenue 4.00% 07/01/2039

Outlook

The 10-year Municipal/Treasury ratio briefly touched 80% in September, a level that historically has represented its natural ceiling. At this level, tax-exempt municipal bonds become increasingly attractive to crossover buyers, including banks and insurance companies. We expect that this additional demand could help support a market rebound, as it has during past market sell-offs. Crossover buyers typically become less active as municipal valuations improve and ratios subsequently decline because municipals are no longer as attractive to them on an after-tax basis.

Given the improvement in relative value, we believe current conditions support a gradual approach to entering the market and taking advantage of some of the highest tax-equivalent yields we have seen in years. As of Sept. 30, the Municipal Bond Index offered a yield-to-worst of 4.78%, which is a tax-equivalent yield of 8.07% for investors in the highest federal tax bracket.

We anticipate issuance will remain elevated throughout 2026 as municipalities continue to invest in infrastructure. Heavy supply is likely to create periodic technical challenges for the market, but we expect that attractive absolute yields should help sustain investor demand near the strong levels seen thus far in 2026 as investors continue to search for yield.

From a credit perspective, we believe fundamentals should remain strong in the near term. However, emerging sector-specific challenges in 2026 will require greater analytical discipline. Fiscal pressures and shifting federal support will make rigorous credit analysis increasingly important across health care, higher education, transportation, and general obligation bonds. While many states and municipalities continue to maintain healthy reserve levels, others face tighter budgets and increased reliance on the capital markets.

Local school districts are facing increased pressure as pandemic-era aid expires and costs rise. Demographic shifts and competition from charter and private schools create additional enrollment challenges. Higher education faces its own demographic pressures following the 2025 peak in high school graduates, compounded by changes in federal policy and reduced research funding. Health care operating margins have improved since 2023, but providers – particularly safety-net hospitals and rural facilities – remain vulnerable to Medicaid cuts and policy changes under the One Big Beautiful Bill Act. Mass transit and other transportation systems continue to see declining ridership and rising costs amid reduced federal support, but ports, airports, and toll roads remain relatively stable.

Given these dynamics, we will maintain our disciplined approach, focusing on intermediate-to-long maturities where we believe value persists. Rigorous credit monitoring will continue to guide portfolio adjustments as fiscal and policy developments unfold. Despite ongoing technical headwinds, we believe attractive yields and strong investor demand could support favorable tax-adjusted returns through the remainder of 2026.

Disclosures

Municipal securities risk is the possibility that a municipal security's value, interest payments or repayment of principal could be affected by economic, legislative or political changes. Municipal securities are also subject to potential volatility in the municipal market and the fund's share price, yield and total return may fluctuate in response to municipal security market movements. High-yield security risk results from investments in below investment grade bonds, which have a greater risk of loss, are susceptible to rising interest rates and have greater volatility, especially when the economy is weak or expected to become weak. Investments in high-yield securities (commonly referred to as "junk bonds") are inherently speculative and carry a greater risk that the issuer will default on the timely payment of principal and interest. These securities may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of the junk bond market generally and less secondary market liquidity. There is no guarantee that the fund's income will be exempt from US federal income taxes and the federal alternative minimum tax. US Treasury obligations risk is the risk that the market value of US Treasury obligations may vary due to fluctuations in interest rates.

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

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Sources: Bloomberg, Eagle Asset Management

Definitions

Absolute yield – The return an asset achieves over a specified period of time.

Tax-equivalent yield – The interest rate that a taxable bond must pay to provide the same yield as a comparable tax-exempt municipal bond.

Yield curve – A line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity. The intermediate part of the curve refers to bonds that mature generally in 2 to 10 years. The long end of the curve refers to bonds with maturities of 10 years or more.

Yield to worst – A measure of the lowest possible yield that can be received on a bond with an early retirement provision. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures. The yield-to-worst metric is used to evaluate the worst-case scenario for yield at the earliest allowable retirement date. It is always less than yield to maturity because it represents a return for a shortened investment period.

Indices

Bloomberg US Municipal Index – The Fund's benchmark index. Covers the US dollar-denominated long-term, tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Bloomberg 1-Year Municipal Index – An unmanaged index comprised of investment-grade municipal bonds with maturities of 1 to 2 years.

Bloomberg 5-Year Municipal Bond Index – An unmanaged index comprised of investment-grade municipal bonds with maturities of 4 to 6 years.

Bloomberg 10-Year Municipal Bond Index – An unmanaged index comprised of investment-grade municipal bonds with maturities of 8 to 12 years.

Bloomberg 20-year Municipal Bond Index – An unmanaged index comprised of investment-grade municipal bonds with maturities of 17 to 22 years.

Bloomberg 22+ Year Municipal Bond Index – An unmanaged index comprised of investment grade municipal bonds with an average maturity of more than 22 years.

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Indices are unmanaged. One cannot invest directly in an index.

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