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Delaware Funds by MACQUARIE®

Keep more of what you earn

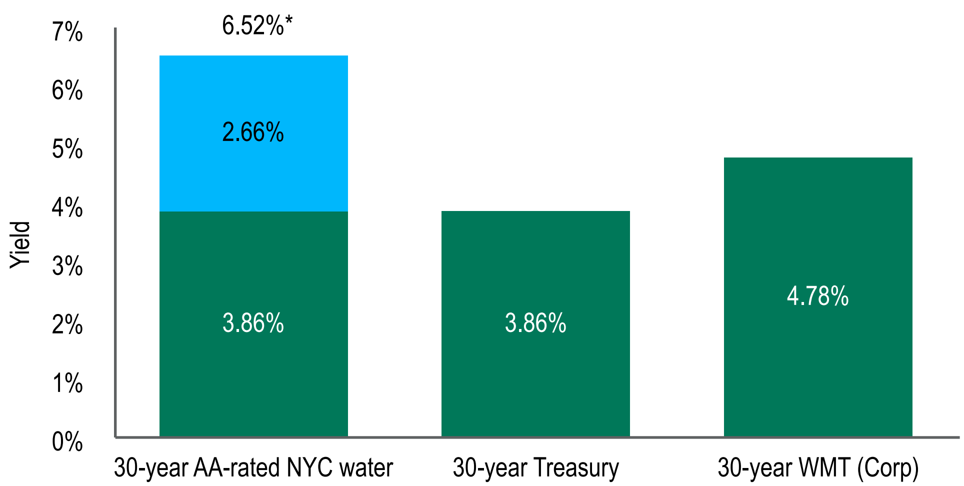
Tax-adjusted income may make municipal bonds attractive in today's market

Over the last 18 months, yields have adjusted dramatically higher due to selling pressure in the municipal bond market against the backdrop of rising interest rates. We think current high municipal yields may offer an attractive entry point for investors seeking tax-adjusted income.

The value proposition for municipal bonds appears notably more attractive when considering the taxable-equivalent yield. For example, at the top tax bracket, a 30-year AA-rated New York municipal bond's taxable-equivalent yield is 6.52%, but at the 22% tax bracket (not shown in the chart), that taxable-equivalent yield would still be an attractive 4.95%.

Taxable-equivalent yield on a municipal bond versus taxable alternatives for top US income tax bracket

As of May 31, 2023



* Taxable equivalent yield. The top Federal Income Tax Bracket of 37% plus 3.8% Medicare tax were used to calculate the taxable equivalent yield of the bond. The blue bar represents the difference between the yield of the bond (green bar) and the taxable equivalent yield.

Source: Municipal Market Data (MMD)/Bloomberg, as of May 31, 2023.

Chart is for illustrative purposes only.

What this means for investors

Municipal bond yields remain at elevated levels after the most recent Fed rate hike in May 2023. Given this environment, we think municipal bonds appear more attractive versus other fixed income options, even before applying the tax benefits.

Exploring investment opportunities in municipal bonds may make sense for today's income investors, not just those in the highest tax brackets.

For more information, call us at 877 693-3546
or visit our website at delawarefunds.com

Investing involves risk, including the possible loss of principal.

Past performance does not guarantee future results.

Nothing presented should be construed as a recommendation to purchase or sell any security or follow any investment technique or strategy.

The views expressed represent the investment team's assessment of the market environment as of June 2022, and should not be considered a recommendation to buy, hold, or sell any security, and should not be relied on as research or investment advice. Views are subject to change without notice.

Market risk is the risk that all or a majority of the securities in a certain market – like the stock market or bond market – will decline in value because of factors such as adverse political or economic conditions, future expectations, investor confidence, or heavy institutional selling.

Fixed income securities and bond funds can lose value, and investors can lose principal as interest rates rise. They also may be affected by economic conditions that hinder an issuer's ability to make interest and principal payments on its debt. This includes prepayment risk, the risk that the principal of a bond that is held by a portfolio will be prepaid prior to maturity at the time when interest rates are lower than what the bond was paying. A portfolio may then have to reinvest that money at a lower interest rate.

Investments may not receive payment of principal, interest, and other amounts due in connection with bank loans and other direct indebtedness because they primarily depend on the financial conditions of the borrower and lending institution.

Taxable-equivalent yield is the return that is required on a taxable investment to make it equal to the return on a tax-exempt investment.

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Chart is for illustrative purposes and is not representative of the performance of any specific investment.

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