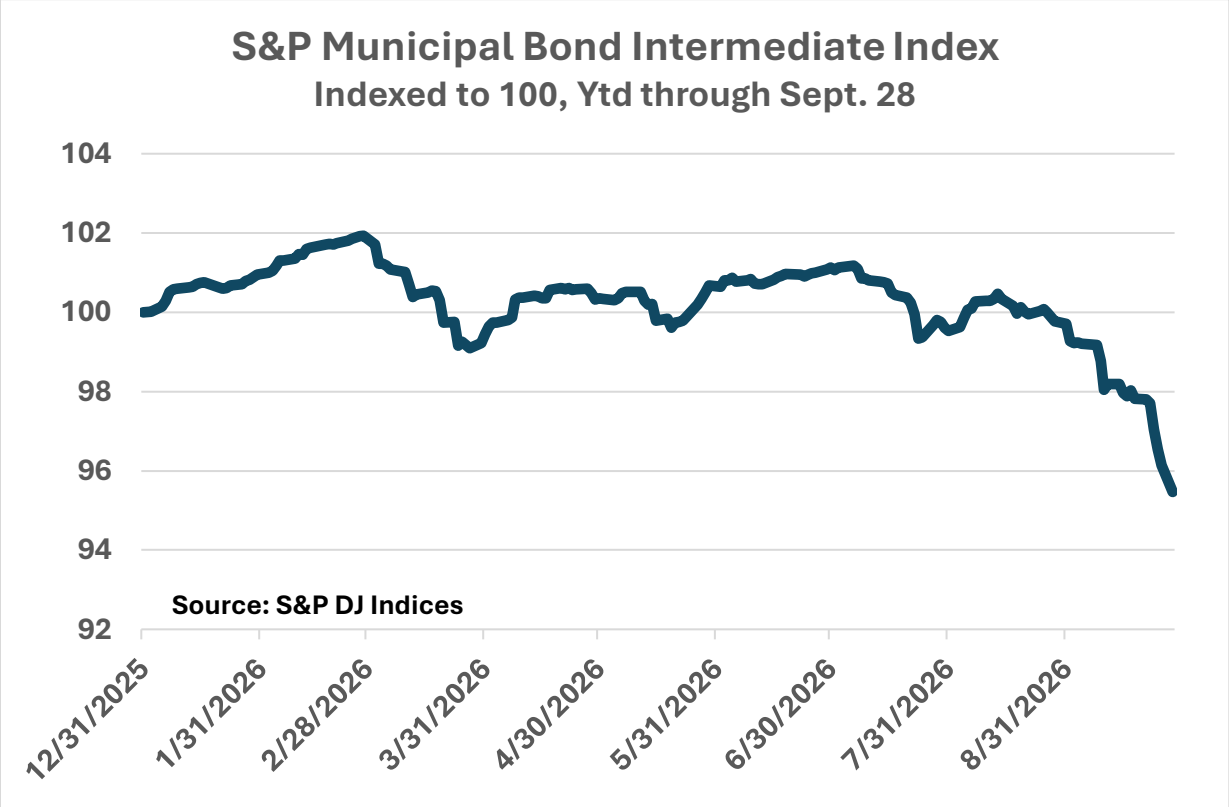
Mindful Advisory, LLC
Market Commentary & Investment Insights

September 30, 2026
1200 Morris Tpke., Ste 3005, Short Hills, New Jersey 07078
201-951-3509

Dear Investor,

The bond market is struggling, and that means yields are going up, including on municipal bonds. They may be high enough to warrant consideration for investment.

Bonds function in a way so that prices and yields move in opposite directions. Through September 28, the S&P Municipal Bond Intermediate Index is down 4.53%, and its current yield-to-maturity is 4.69%.



Tax-Free Income

That yield may not seem like a lot, but most municipal bonds pay interest that's free from federal income tax. And if you live in the state where a municipal bond is issued, the interest from that bond is usually exempt from state and local income taxes too.

Here's the mathematics: To find the taxable equivalent yield to a municipal bond or municipal bond portfolio yield, divide the municipal yield by 1 minus the person's tax rate.

$$\text{Taxable Equivalent Yield} = \frac{\text{Tax-Exempt Yield}}{1 - \text{Tax Bracket}}$$

So, for example, if an unmanaged municipal index is yielding 4.69% and someone is in the highest federal bracket of 37%, take 4.69 and divide it by 1 minus 0.37 or 0.63. That 4.69% municipal yield then equates to a taxable bond paying 7.44%.

$$\frac{4.69\%}{0.63} = 7.44\%$$

Please note that yield-to-maturity reflects the index's underlying bond holdings and does not reflect advisory fees, fund expense ratios, or the impact of bonds called prior to maturity. Actual distribution yields or 30-day SEC yields on managed portfolios or funds will typically be lower.

For instance, if a portfolio had a 4% 30-day SEC yield, that would result in a taxable equivalent of 6.35%, assuming the 37% federal tax bracket. And if a portfolio had a 3.8% 30-day SEC yield, that would result in a 6.03% taxable equivalent yield assuming the 37% federal bracket.

Still, all of these examples reflect a taxable equivalent yield that is higher than the current roughly 5.25% yield of the 10-year U.S. Treasury Note. **(Note: Interest on U.S. Treasuries is subject to federal income tax but exempt from state and local income taxes.)**

One should also refine the calculation as needed to include state income tax rates when appropriate.

Additionally, an extra 3.8% tax called the NIIT (net investment income tax) can apply to those above certain income thresholds, making municipal bonds slightly more attractive in a comparison to taxable bonds.

Finally, taxable equivalent yield advantages depend heavily on individual marginal tax brackets, and lower-bracket investors may see less or no tax advantage compared to taxable bonds.

But for individual investors in high tax brackets, and for irrevocable trusts, which reach the 37% federal bracket at $16,000 worth of income, municipal bonds may be worth considering at current prices and yields.

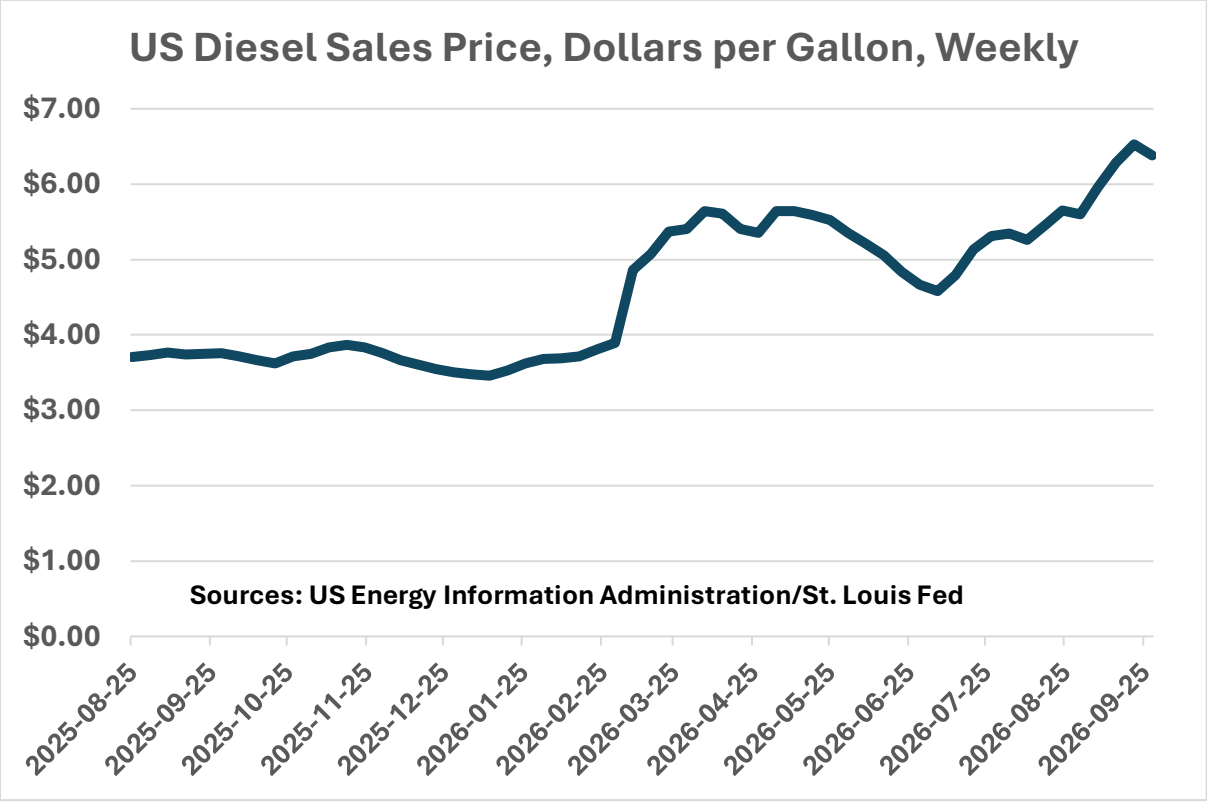
Oil and Inflation

Bond prices often move down in relation to inflation or expectations of inflation, and that seems to be what has happened lately. Because bonds are basically loans, they deliver a fixed income frequently causing inflation to erode the purchasing power of capital invested in them.

Currently, bonds seem to be responding to the elevated price of oil amid geopolitical tensions in the Middle East. The consumer price index (CPI) came in at 3.4% last month, meaning prices on a basket of goods and services increased by that much from August 2025 through August 2026.

Diesel fuel has increased by an eye-watering 72% over the past year, from under $4 per gallon to more than $6 per gallon, according to data from the U.S. Energy Information Administration.

There has been much chatter about diesel fuel prices because the shipment of most goods relies on diesel fuel. Some observers also think markets are responding, in part, to high levels of U.S. debt relative to GDP, making investors demand to be paid more to lend money to the U.S. These two reasons aren't necessarily mutually exclusive.



The important thing is that prices of most bonds are declining as investors demand higher yields.

Risks

Municipal bonds are not without risks, though a post from investment firm Van Eck makes them seem minimal. According to the post, Moody's Investors Service estimates investment grade municipal defaults at 0.1% annually from 1970 to 2024.

Van Eck reasons that municipal bonds are often backed by essential services such as water, sewer, toll roads, and public power services, or they are backed by a state's general power to tax. Municipalities, like any other borrowers, don't have an incentive to default, an event that would elevate their subsequent borrowing costs dramatically.

Still, that incentive hasn't been foolproof. Municipal bonds have defaulted in the past. Recent examples are the complex case of Puerto Rico, Detroit, Vallejo, California, and Jefferson County, Alabama. Nobody knows for sure, but it's possible municipal bonds are not as safe as they once were, or at least as they have been since the end of the Great Depression.

During Covid, the Federal Reserve opened facilities to purchase municipal bonds along with corporate bonds. It's unclear whether the central bank would do this again in a crisis especially with federal finances currently stretched.

Past historical default rates (1970–2024) do not guarantee future credit quality or price stability, especially in a changing interest rate environment.

Finally, nobody knows exactly what is causing the current municipal bond selloff, and whether it will continue.

Each investor will have to decide if an allocation to municipal bonds in taxable accounts is worth the risk. Those risks include credit risk, duration risk, and an investor's need for immediate liquidity.

The deliberation also includes whether to gain exposure to a diversified portfolio of municipal bonds from a variety of states, or to limit exposure to the bonds of one state in an effort to capture a yield that is exempt from income tax at every government level.

The higher yields now are at least making the case for municipal bonds worth considering.

Maintaining Perspective in Financial Planning
Market fluctuations and changing yield curves highlight the importance of disciplined portfolio management.

Rather than trying to predict market timing or interest rate shifts, our approach focuses on factors within our control: evaluating tax efficiency, maintaining appropriate asset allocation, and managing investment costs.

If you would like to review your portfolio's tax exposure or discuss your long-term asset allocation, please reach out to us.

Respectfully submitted,
John Coumarianos
Mindful Advisory, LLC

IMPORTANT DISCLOSURES

This communication is for informational and educational purposes only and is issued solely by Mindful Advisory, LLC ("the Firm"). It is considered an advertisement under the SEC Marketing Rule. The views expressed are the opinions of the Firm and are subject to change based on market and other conditions.

This material is not intended as investment advice, a recommendation, or an offer or solicitation to purchase or sell any specific security, product, or strategy. While obtained from sources believed to be reliable, the Firm cannot guarantee its accuracy or completeness.

The discussion of municipal bonds does not constitute a recommendation to buy them. Some Mindful Advisory clients hold municipal bond funds and ETFs. This does not constitute a recommendation to buy, sell, or hold any security.

This letter contains 'forward-looking statements.' Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking statements.

Past performance is no guarantee of future returns and investments contain risk, including the risk of the loss of principal. There is no guarantee that any investment strategy or approach will be successful.

Indices are unmanaged, do not reflect advisory fees, trading costs, or expenses, and cannot be invested in directly.

Taxes may reduce an investor's actual realized returns; the performance figures shown do not account for individual tax liabilities.

The Firm does not receive commissions, sales loads, or 12b-1 fees for the purchase or sale of any securities mentioned herein. Its compensation is derived solely from asset-management fees calculated as a percentage of assets under management and/or flat fees, as fully detailed in the Firm's Form ADV Part 2A.

Mindful Advisory, LLC acts as a fiduciary and is required to act in the best interests of its clients. Fiduciary duty applies within an advisory agreement relationship and does not eliminate market risk or shield portfolios from principal loss

The Firm is a registered investment adviser. Its CRD number is 315290. For information about our services and fees, please refer to our Form ADV Part 2A (Brochure) and Form ADV Part 2B (Brochure Supplement), which are available upon request by emailing johnc@mindfuladvisory.com or calling 201-951-3509, or via the SEC's IAPD website. The Form ADV has been provided to clients, and will be provided to prospective clients prior to entering into any advisory agreement with The Firm. Please contact us if there have been any changes in your financial situation or investment objectives.