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Gauging the Impact of Federal Funding Cuts on Municipal Bond Sectors.

Many sectors appear well situated to weather the potential effects of planned fiscal changes.

In Brief

- Recent news regarding planned funding cuts to U.S. government programs and other fiscal changes has prompted questions from investors about the potential impact on municipal bond sectors, including healthcare, higher education, housing, and airports.
- We believe certain factors may help mitigate the potential for significant impacts, including strong post-pandemic financial conditions and diversified revenue sources for many issuers, and broad political support for programs such as Medicaid.
- While certain segments of the market are more exposed to federal funding changes, we do not anticipate substantial near-term impacts from these reductions.
- The changing U.S. fiscal spending backdrop highlights the importance of professional management, in our view, especially regarding credit research, security selection, and sector allocation.

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March 13, 2025

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