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Municipal Finance Law Since 1971

[A Hidden Gem: High Yield Municipals - BlackRock](#)

Key takeaways

1. For investors in certain tax brackets, high yield municipal bonds, or munis for short, may generate a higher tax-equivalent yield (TEY) than other high yielding sectors, such as high yield corporate bonds.
2. High yield muni bonds have historically had less credit risk than corporate high yield bonds, proven by lower default and higher recovery rates.
3. The complex and fragmented nature of the high yield muni market gives actively managed strategies the opportunity to identify and capitalize on inefficiencies.
4. The iShares High Yield Muni Active ETF (HIMU) seeks to uncover attractive opportunities in the high yield muni bond market, delivering them through the accessible and efficient ETF wrapper.

The high yield muni market is a long-existing, yet often overlooked, segment of fixed income markets. It is typically made up of small issuers, fragmented across industries, is often only mentioned when something goes wrong (e.g., Puerto Rico), and ultimately can be difficult for investors to build portfolios on their own. The reality, though, is investors have often missed out on what has proven to be a market with higher after-tax yields¹, and lower default rates than high yield corporates.² Notably, investors can now implement a thoughtfully constructed portfolio, managed by an experienced team who is well versed in the nuances of this market, all through the efficiency of the ETF wrapper, using the iShares High Yield Muni Active ETF (HIMU).

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blackrock.com

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