GRAB THESE GREAT YIELDS

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In an uncertain market, you can still pocket juicy payouts ranging from 4% to 14%, depending on risk.

BY ANDREW TANZER

BECAUSE we can't divine the future, investing always involves some uncertainty. Still, the economic and market outlook this year seems cloudier than usual, due largely to stiff tariff increases and policy uncertainty in the second Trump administration. Major stock indexes have already corrected sharply from their highs.

But for yield-oriented investors who keep their nerve, the opportunity set may be improving. "You can get high yield in a lot of investments without reaching for unnecessary risk," says Andy Kapyrin, head of portfolio construction at Corient, a financial advisory firm. Pro investors with ice running through their veins, such as David Sherman, founder and chief investment officer of high-yield bond specialist CrossingBridge Advisors, thrive at times like these. "When the market is weak, we're super excited," Sherman says. "We think it will be a buying opportunity, and we're already adding certain positions."

After all, declines in prices of "risky" assets such as stocks, high-yield bonds, real estate investment trusts and energy infrastructure push up yields—unless, of course, dividends are cut. Investors thus are paid well while sitting out a market storm. There is "real yield" (that is, after-inflation yield) available even in ostensibly risk-free Treasuries and other high-quality investment-grade bonds, which wasn't the case several years ago during the "zero yield" era.

This guide will help you find attractive income-producing investments in nine different asset-class categories, ranging from low-risk, ordinary securities to more-complex, higher-risk and potentially higher-return investments. We've listed investments roughly in ascending order of risk, starting with four fixed-income asset classes.

Prior to embarking on your search for income, you should have a financial plan in place that targets long-term portfolio allocations. Everyone's financial situation is unique, but generally speaking, you should ensure that you have enough cash or cash equivalents on hand to cover six months of living expenses before you invest money in high-risk/high-return assets. Prices, yields and other data are the latest available as of April 7 (some bond data is through March 31). Since markets have turned unusually volatile recently, some yields may have changed materially since April 7.

4%–5%: SHORT-TERM ACCOUNTS

Yields on short-term, fixed-income accounts and securities take their cue from the Fed's short-term interest rates. Since last September, the Fed has trimmed rates by one percentage point, and in response, yields on short-term accounts are about one point lower than a year ago.

THE RISKS: Rates are volatile this year, so it's hard to know what yields will be available when short-term investments mature. Safe cash equivalents are needed as emergency reserves and to meet near-term liabilities, but excessive cash balances can sap investment returns and purchasing power, particularly in this time of relatively high inflation. Financial advisers such as Alex Seleznev, founder of Capital Squared Financial, say that one strategy for minimizing cash holdings and still covering most cash needs is to tap incoming dividend and interest income first.

HOW TO INVEST: One common approach is to stash money in a money market fund such as ***Vanguard Federal Money Market (symbol VMFXX, yield 4.2%)***, which draws on a rock-bottom expense ratio of 0.11% to outperform counterparts.

Wealth managers such as Dane Czaplicki, founder and chief executive of Members' Wealth, prefer to park short-term money—especially any held in taxable accounts—in short-term federal government IOUs. He cites two advantages over most money market funds: a lower expense ratio and a break on state taxes, which is particularly valuable in high-tax jurisdictions because Treasuries are exempt from state and local tax. Two exchange-traded funds he uses for clients are ***iShares 0-3 Month Treasury Bond (SGOV, $100, 4.2%)*** and ***SPDR Bloomberg 1-3 Month T-Bill (BIL, $91, 4.1%)***.

If you're willing to take a bit more risk for a higher yield, consider ***JPMorgan Ultra-Short Income (JPST, $50, 4.5%)***, which Aniket Ullal, head of ETF research at CFRA, says is the largest actively managed short-term bond fund in the ETF universe. Ultra-Short invests in a variety of short-duration, investment-grade fixed-income instruments, including corporate bonds, commercial paper and asset-backed securities. (*Duration* is a measure of interest rate sensitivity. A duration of 1, for example, implies that if interest rates move up or down by one percentage point, the fund would lose or gain approximately 1%; a duration of 2 implies a 2% move, and so on. Yields and interest rates move in opposite directions.) The low duration of 0.76 helps explain the fund's very low volatility.

5%–6%: MUNICIPAL BONDS*

Issued by state and local governments, muni bonds pay interest that is free from federal taxes; bonds issued in your state of residence are free from state and local taxes as well. Investment-grade munis tend to follow movements in the Treasury market and, like Treasuries, usually perform well in a recession, which could make them attractive this year for investors in high tax brackets.

THE RISKS: Along with interest rate risk, munis are subject to policy risk from Washington. For example, many fear that the Trump administration will slash spending on Medicaid, which provides payments from the federal government to states.

HOW TO INVEST: The muni market tends to be more sensitive to interest rate swings, in part because of munis' lower yields and in part because most muni issues are of longer maturity and higher duration.

The yield on 30-year AAA-rated munis was recently about 90% that of equivalent Treasuries, but for five-year paper that figure was only 66%. Corient's Kapyrin thinks investors should consider reaching out further on the muni yield curve than on the Treasury yield curve. "After experiencing double-digit losses in 2022, a lot of investors are averse to owning anything that is interest rate sensitive," he says. "Wounds like that take time to heal, but a lot of the best value in munis are in long term, where you pick up yield."

Kapyrin recommends two Vanguard funds. ***Vanguard Intermediate-Term Tax-Exempt (VWITX, 3.5%)*** holds a national basket of 14,500 bonds and has a duration of 5.7 years. For a taxpayer in the 24% federal bracket, the tax-equivalent yield is 4.6%. ***Vanguard Long-Term Tax-Exempt (VWLTX, 3.9%)*** has a duration of 8.1 and offers a 5.1% tax-equivalent yield for investors in the 24% bracket.

The default and loss rates in the muni market have historically been much lower for both investment-grade and high-yield bonds than for bonds with the same credit ratings in the taxable market. This has created some alluring opportunities in lower-quality muni bonds. Most sub-investment-grade munis aren't rated by credit-rating agencies, in part because such issues tend to be relatively small. "You get paid for doing your own homework," says John Miller, a seasoned high-yield muni manager at First Eagle Investments.

Miller says that most are revenue bonds (as opposed to general obligation bonds, which are backed by the credit and power to tax of bond-issuing jurisdictions) issued to finance projects such as infrastructure expansion, new hospitals or charter schools. When the viability of the project is established, he notes, the bond is often called and refinanced with an investment-grade bond.

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Miller manages two funds for First Eagle. ***Short Duration High Yield Municipal (FDUAX, 4.3%)*** offers a 5.7% tax-equivalent yield for someone in the 24% bracket and has a duration of 4.6 years. ***High Yield Municipal (FEHAX, 4.6%)*** has a 9.2 duration.

4%–6%: INVESTMENT-GRADE BONDS

The core of a typical fixed-income portfolio is made up of investment-grade bonds issued by the U.S. Treasury, government agencies and cor-

*Tax-equivalent yields for investors in the 24% federal tax bracket.

porations, as well as asset-backed securities containing pools of financial instruments such as mortgages and bank loans. Investment-grade issues are rated BBB or better. These assets generate income without undergoing dramatic price fluctuations, and they often provide portfolio diversification because they tend to move out of sync with stocks.

THE RISKS: Interest rate spreads between corporate bonds and Treasuries are quite narrow by historical standards, meaning corporate bonds don't command much of a yield premium for their additional risk. If the economy sours, then credit quality becomes more important.

HOW TO INVEST: Investment-grade bond managers are gravitating to asset-backed securities. "The best values in traditional investment grade today are in mortgages and other securitized investments," says Corient's Kapyrin. Yields are higher than for corporate bonds of the same credit rating, and inflation in property prices reduces the risk of default in the pools of residential (or commercial) mortgage-backed securities. "Who is likely to give up their home when they have unrealized gains in it?" asks Lewis Altfest, chief executive of Altfest Personal Wealth Management.

One of Kapyrin's picks is ***SPDR DoubleLine Total Return Tactical (TOTL, $40, 5.5%),*** which is a member of the Kiplinger ETF 20, the list of our favorite ETFs. Comanager Jeff Sherman says the fund's holdings are somewhat more diverse than the firm's better known ***DoubleLine Total Return Bond (DLTNX, 5.6%)***. But both are stuffed with residential mortgages (including the higher-yielding non-agency flavor, because home price appreciation has lowered the risk profile of the collateral), as well as commercial mortgage-backed securities with assets such as multifamily homes, data centers and warehouses. The duration of both funds is about 5.7.

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Two other attractive ETFs focused on asset-backed securities are ***NYLI MacKay Securitized Income (SECR, $26, 5.3%)*** and ***Harbor Disciplined Bond (AGGS, $41, 5.1%)***, which is subadvised by Income Research + Management, a large fixed-income manager that caters mostly to institutions and high-net-worth clients. IR+M's Ginny Schiappa notes that the universe of asset-backed securities has broadened in recent years from credit cards and auto loans to whole business securitizations such as Subway, where debt is collateralized with franchise fees.

If you want to dial down risk, ***FPA New Income (FPNIX, 4.3%)***, which has a duration of 3.4, has compiled one of the best risk-adjusted returns of all investment-grade bond funds over 40 years. Manager Abhijeet Patwardhan notes that the venerable fund may invest in corporate bonds but has most of its assets in securitized products. If you compare an AA-rated corporate bond with an AA-rated securitized product, you'll typically get yields with the same or better spread over Treasuries with securitized assets, he says. "And when you look under the hood, the credit risk is typically better on a securitized investment," he adds.

5%–8%: HIGH-YIELD TAXABLE BONDS

High-yield "junk" bonds are issued by companies with below-investment-grade ratings (BB or lower). For lending to these riskier businesses, investors are compensated with higher yields than investment-grade bonds offer. High-yield bonds move more in sync with stocks than with Treasuries and most likely merit

only a limited portion of your fixed-income investments.

THE RISKS: The risk of default is the main concern; a credit downgrade negatively impacts the price of a bond as well. These are risks to keep in mind if you think the U.S. economy will weaken or stumble into a recession this year.

HOW TO INVEST: Fortunately, there are strategies to mitigate risk in a high-yield bond portfolio, even in a slowing economy. One way is to invest in short-duration bond funds run by managers who are exceptional bottom-up credit analysts and risk managers. "We don't want to add duration to the list of risk factors," says Hunter Hayes, comanager of ***Intrepid Income (ICMUX, 8.0%)***. "It's a lot easier to predict credit risk two years out than six years out."

Since 2002, Carl Kaufman, comanager of ***Osterweis Strategic Income (OSTIX, 5.4%)***, has made downside protection the cornerstone of his high-yield strategy, which he calls "chicken high yield." Says Kaufman, "If I don't like the market, then I'll shorten duration." The fund's current duration is 1.5. The veteran also highlights the contrasting trends in the investment-grade and high-yield bond universes over the past 15 years or so: The overall quality of investment-grade bonds has deteriorated, with a doubling of the BBB share to 50%, while the share of BB bonds (the highest rung for junk bonds) has increased from 40% to 52%.

Czaplicki, of Members' Wealth, is a big fan of David Sherman's CrossingBridge family of high-yield bond funds. "They are a group of really good credit analysts—credit geeks—who are of the mind-set, 'Don't lose clients' money,'" he says. Kirk Whitney, a portfolio manager with CrossingBridge, explains, "We focus on bottom-up credit analysis to determine which companies will pay us off at the day of reckoning: bond maturity." ***CrossingBridge Low Duration High Income (CBLDX, 6.1%)***, with a duration of just 0.8, is an oxymoron of low-risk, high-yield bonds. ***CrossingBridge Responsible Credit (CBRDX, 7.8%)*** offers a higher yield but with somewhat more volatility. Both funds are comanaged by Sherman and Whitney.

Hayes's Intrepid Income has compiled a phenomenal track record. With a duration of 2.5, the Jacksonville, Fla.–based fund focuses on small-company bonds. Hayes explains that this unusual strategy is consistent with financial theory that says over the long run, small-capitalization stocks will outperform large companies because the small caps are less liquid and less researched by investors, which creates some unusual values in the bonds. A large chunk of the bonds in Intrepid's portfolio aren't even rated by the agencies, typically because the companies or bond issues are too small. "Nonrated bonds are less scrutinized, less owned and provide more opportunity for treasure hunting," he says.

3%–6%: DIVIDEND STOCKS

Dividend-paying stocks play an important income role in a diversified portfolio. Unlike fixed-income investments such as Treasuries and corporate bonds, healthy companies can raise dividend distributions each year, which is a potent way to maintain the purchasing power of a long-term portfolio.

THE RISKS: Stocks tend to be much more volatile than high-quality bonds, and this year's nervous markets are a case in point. Many investors are prone to chase stocks of high-yielding companies, even though the high yield may be an indication of financial distress and an inability to boost annual distributions. (A stock's yield is calculated by dividing its annual dividend by its share price; as the price falls, the yield rises.) John Reim, senior portfolio manager at Morgan Stanley Private Wealth Management, screens for companies with particularly high returns on invested capital (a profitability measure) when he selects dividend stocks. "In my experience, many dividend investors focus too much on short-term sales growth and not enough on long-term trends in profitability, which provides you with safety," Reim says.

HOW TO INVEST: The oil and gas industry is usually a good place to find attractive yields. Stewart Glickman, an energy analyst at CFRA, isn't too bullish on oil prices this year, but he has a "buy" rating on ***ExxonMobil (XOM, $103, 3.9%)***, which has raised its dividend annually for more than four decades. "It has a fortress balance sheet," says Glickman, who likes Exxon's hefty exposure to natural gas and its big stake in a large new oil field in Guyana, where production is growing rapidly.

Julien Albertini, a portfolio manager at First Eagle Investments, likes ***Shell PLC (SHEL, $62, 4.6%)***, a British-based multinational energy firm. "Shell has a similar footprint and is as good a business as Exxon, but it trades at a discount," he says. Among its other energy businesses, Shell is the world's largest player in the fast-expanding liquefied natural gas industry and exports LNG from Canada.

With a backdrop of a volatile stock market and a cloudy economic outlook, seeking refuge in some defensive plays such as health care or consumer staples may make sense. John Buckingham, editor of *The Prudent Speculator,* likes drugmaker ***Bristol Myers Squibb (BMY, $55, 4.5%)*** for its lucrative lineup of treatments, promising pipeline of drugs and active cost-cutting campaign. Like Bristol Myers, ***Hormel Foods***

(HRL, $30, 3.9%), which has increased its dividend for 59 consecutive years, was founded in the 19th century. Buckingham thinks its food brands—which include Planters peanuts, Skippy peanut butter, Applegate meats and, yes, SPAM—will hold up in any economy.

For a diversified portfolio of income stocks, Capital Squared Financial's Seleznev recommends ***iShares Core High Dividend (HDV, $110, 3.4%)***. Higher yields are available overseas, where Seleznev's pick is ***iShares International Select Dividend (IDV, $28, 5.5%)***.

4%–6%: REAL ESTATE INVESTMENT TRUSTS

Because REITs are required to distribute at least 90% of their taxable income each year, they offer relatively high yields. REITs can also provide strong protection against inflation because operators are able to raise rents as leases expire.

THE RISKS: REITs are vulnerable to rising interest rates because they tend to carry high debt loads, and they face increasing competition in the eyes of investors from the rising yields available on fixed-income investments. But keep in mind that, as with stocks but unlike traditional bonds, REITs can increase their distributions.

HOW TO INVEST: Jeff Kolitch, veteran manager of Baron Real Estate Income, likes the set-up for REITs this year. "The big picture is that we're bullish on the prospects for REITs in 2025," he says. "We think that the dark clouds that have been hovering over REITs are lifting." Not only have interest rates cooled down a bit, but several sluggish years of construction due to high interest rates as well as high land and labor costs have created an imbalance between supply and demand in several categories, including multifamily, industrial, health care, office and retail REITs.

First Eagle Investments' Albertini notes that people in their thirties who ordinarily would have been homeowners at this stage in life are choosing to rent due to elevated housing costs and mortgage rates. That attracts him to ***Equity Residential (EQR, $63, 4.4%)***, which owns or is invested in 84,000 apartment units, mainly in six key coastal markets that include New York and Seattle. He says the average tenant is in their mid thirties, and he foresees several more years of solid rental growth to come for Equity. Kolitch notes that private-equity firms such as Blackstone, with hundreds of billions of dollars of dry powder, have acquired publicly traded REITs because many trade at discounts to private market values, including multifamily, single-family rental and shopping center REITs.

Retail REITs require some careful selection on the part of investors. Seleznev of Capital Squared Financial likes ***Realty Income (O, $53, 6.1%)***, which has increased its dividend for 30 straight years. (Realty Income is a member of the Kiplinger Dividend 15, the list of our favorite dividend payers.) Michael Cuggino, manager of Permanent Portfolio, holds ***Simon Property (SPG, $143, 5.9%)***, the largest operator of shopping malls in the country. "They have the right mix of stores where people want to shop," he says.

Kolitch also thinks the picture is improving for retail malls. "No one is building new malls, tenant demand is strong, and there's a shortage of desirable retail space," he says. He is particularly keen on ***Macerich (MAC, $14, 4.8%)***, a major owner and operator of retail real estate that he figures is poised for a powerful rebound under its new chief executive, Jackson Hsieh, who is selling the company's lower-quality malls to reduce the debt load.

If you prefer to hedge your bets in the REIT sector, consider ***Vanguard Real Estate ETF (VNQ, $82, 4.0%)***, a passively run index fund that holds a basket of 158 REITs. VNQ's top three holdings are Prologis, a logistics and warehouse giant that operates globally; American Tower, the leading owner and operator of cell towers; and Welltower, which owns a large portfolio of senior living communities and health care facilities.

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5%–9%: MIDSTREAM ENERGY INFRASTRUCTURE

Midstream firms process, store and transport oil and natural gas via pipelines. The companies are positioned between upstream firms (energy producers) and downstream companies, which make finished products such as liquefied natural gas (LNG) and natural gas liquids including ethane and propane.

The sector may lack the glamour of the Magnificent Seven large-cap, high-tech growth companies, but the performance of oil and gas pipeline firms has been equally astonishing. During the past year, the American Energy Independence Total Return index (one midstream energy infrastructure benchmark) returned 19%, compared with –1.4% for the S&P 500 index; over the past five years, pipelines generated a 34% annualized return, more than twice that of the S&P 500.

"The sector is not cheap compared with a couple of years ago, but given its positive fundamentals, it should move higher," says Simon Lack, co-manager of ***Catalyst Energy Infrastructure Fund (MLXIX, 5.9%)***. Two strong drivers underpin the U.S. natural gas business: booming exports of LNG—the U.S. is now the largest LNG exporter in the world—and robust demand for relatively clean-burning natural gas to meet the expanding electricity needs of data centers. The performance of the sector has been aided by an average yield of 6%, mid-single-digit annual dividend growth and some share buybacks.

THE RISKS: The chief risk is a recession, which would reduce the volumes of natural gas transported through energy infrastructure. (Operating like a toll road, the industry is more sensitive to energy volumes than to oil and gas prices.)

HOW TO INVEST: Both corporations (also known as C corps) and master limited partnerships operate in the sector. Yields tend to be higher for MLPs, which distribute most of their income each year but issue K-1 forms, which can be a nuisance at tax time if you don't hire an accountant.

If you're up to the K-1 challenge, ***Energy Transfer LP (ET, $16, 8.2%)*** is well positioned in supplying natural gas to data centers and exporting LNG, with "a pipeline infrastructure that is impossible to replicate," says Robert Thummel, a senior portfolio manager at energy specialist Tortoise Capital. "Its economic moat is really wide." Greg Reid, president of real assets at Westwood Holdings Group, likes ***Enterprise Products Partners LP (EPD, $30, 7.2%).*** Enterprise, a Kiplinger Dividend 15 member, has boosted its distribution for 26 consecutive years. For a higher yield, Reid recommends ***Plains All American Pipeline LP (PAA, $16, 9.2%)***.

Among corporate entities, Thummel notes, ***ONEOK (OKE, $81, 5.1%)*** successfully transformed itself into a larger, more diversified player in the sector through its 2023 acquisition of Magellan Midstream Partners. Higher income is available with ***Enbridge (ENB, $42, 6.2%)***, a conservatively run Canadian company that operates the most extensive hydrocarbon pipeline network in North America.

If you prefer a basket of energy-infrastructure businesses, consider the passively run ***Pacer American Energy Independence (USAI, $36, 5.3%)*** or Lack's actively managed Catalyst Energy Infrastructure. Both funds pay monthly dividends, invest in U.S. and Canadian stocks, and obviate the need to issue K-1s by keeping allocations to MLPs at less than 25%.

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10%–13%: BUSINESS DEVELOPMENT COMPANIES

BDCs lend to small and midsize private businesses—private "middle market" companies, in industry parlance—that typically are not big enough to obtain credit from commercial banks. BDCs can borrow money to leverage portfolios, which can amplify gains (or losses), but debt levels are very low when compared with those of commercial bank lenders. And BDCs can trade at premiums or discounts to the net asset values of their portfolio holdings, which are reappraised quarterly. Like REITs, BDCs are pass-through entities that are required to distribute at least 90% of taxable income each year.

As with other private-credit forms, these direct lenders have become quite a hot asset class, largely thanks to their juicy yields (10% to 11% on average). BDCs were created by an act of Congress in the 1980s, but they really came into their own by filling a void created by the regulatory crackdown on bank lending. "BDCs were a backwater before the Great Financial Crisis, which led to an explosion of private credit," says Mike Petro, manager of Putnam BDC Income, who has invested in the young sector for nearly two decades.

THE RISKS: BDCs' portfolios mainly comprise first- and second-lien floating-rate secured loans, but as listed securities, BDCs are subject to stock market volatility. As with other lenders, recession is a risk because it tends to push up defaults and loan losses from businesses in BDCs' credit portfolios. "A recession

would impact smaller, nonrated companies in the portfolios," says Coulter Regal, an ETF product manager at VanEck, which manages the largest BDC ETF.

HOW TO INVEST: Analyzing individual BDCs requires assessing factors including quality of management, fee structures, credit underwriting track record and dividend coverage. Mitchel Penn, a veteran BDC analyst at Oppenheimer & Co., pays careful attention to return on equity (a measure of profitability; higher is better). Viewed through the return-on-equity lens, Penn likes ***Ares Capital (ARCC, $19, 9.9%)***, by far the largest firm in the industry. By Penn's calculation, Ares has achieved a high average return on equity of 11.3% since its initial public offering in 2004; the average for the bottom quartile of BDCs is just 4%, he says. Two others that Penn says are worth exploring are ***Golub Capital (GBDC, $13, 11.7%)*** and ***Sixth Street Specialist Lending (TSLX, $20, 10.6%)***.

For access to a portfolio of BDCs, consider Petro's actively managed ***Putnam BDC Income (PBDC, $29, 10.3%)***. Its largest holding is ***Blue Owl Capital (OBDC, $13, 13.2%)***, but Petro's largest overweight position relative to the S&P BDC index is ***Crescent Capital (CCAP, $15, 11.5%)***, which he considers "better than the median BDC but trades at a lower price than average." Crescent trades at a 27% discount to NAV.

5%–14%: CLOSED-END FUNDS

Closed-end funds raise capital through an initial public offering, list their shares on an exchange and invest the money in stocks, bonds, MLPs and other financial assets. A closed-end fund's share price fluctuates according to investor demand, and shares typically trade at a discount or premium to NAV.

THE RISKS: As with BDCs, most closed-end funds use borrowed money to buy portfolio assets. That leverage is a double-edged sword that can augment price returns in up markets but amplify losses in NAV when markets decline.

Most closed-end funds use borrowed money to buy portfolio assets. That leverage is a double-edged sword that can augment returns or amplify losses.

HOW TO INVEST: About one-third of closed-end funds invest in portfolios of municipal bonds, one-third invest in taxable bonds, and the balance invest in stocks. Closed-end funds have been around for longer than a century, but there are a couple of new wrinkles in the business that affect fund analysis. Many of the recently issued funds are "term trusts," which means that at a stated future date the fund will be liquidated and will distribute funds at NAV to shareholders (somewhat analogous to a bond maturing).

More recently, activist investor groups have targeted managements of closed-end funds that trade at large discounts to NAV, forcing fund managers to alter dividend-distribution strategies. "Return of capital is a new trend; it never happened before 2022," says Steve O'Neill, a portfolio manager at RiverNorth Capital Management.

Munis have always been a staple of the industry because leverage can boost tax-free yields and because the muni yield curve is normally upward-sloping. That means managers can borrow at lower, short-term rates and invest long term at higher rates in an asset class with relatively low volatility. One muni fund O'Neill finds attractive is ***Nuveen AMT-Free Quality Muni (NEA, $11, 8.2%)***, which sells at a 9% discount to NAV and has a 42% leverage ratio (the percentage of fund assets financed by debt). The tax-equivalent yield for an investor in the 24% federal bracket is 10.8%. John Cole Scott, president of CEF Advisors, recommends two national muni funds, ***MFS High Income Municipal Trust (CXE, $4, 5.3%)***, which trades at an 11% discount, and ***abrdn National Municipal Income (VFL, $10, 6.1%)***, which sells at an 11% discount and, with a 42% leverage ratio, carries a bit more debt than MFS. Assuming a 24% bracket, the funds yield 7.0% and 8.0%, respectively. In the taxable bond space, O'Neill is drawn to ***First Trust HY Opportunities Term Fund (FTHY, $13, 11.4%)***, a high-yield bond fund that trades at a 9% discount and has 23% leverage. He notes that the fund will terminate in August 2027 at the prevailing NAV, which implies that investors who purchase it today will pick up roughly four percentage points of return each year as the discount to NAV closes. For the same reason, one of Scott's picks is ***Blackstone Strategic Credit 2027 Term Fund (BGB, $11, 9.8%)***, a senior loan fund that sells at a 10% discount, offering a five-point-per-year increase from today's price. For a higher current yield, Scott likes ***Western Asset Diversified Income (WDI, $13, 13.9%)***, which, with a leverage ratio of 33%, sells at a 10% discount and invests principally in high-yield bonds, bank loans and securitized assets such as collateralized loan obligations. K

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