

Franklin Limited Maturity Municipal SMA

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** There were large swings in financial market sentiment across the second quarter of 2025. In early April, US President Donald Trump announced significant increases in US tariff rates as part of his "Liberation Day." Subsequently, a temporary pause (in many cases 90 days) in increased levies helped calm some of the market nerves. The passage of the "One Big Beautiful Bill" spending package after quarter-end further reduced the uncertainties that had been a strong headwind to municipal (muni) bond markets as it affirmed the tax-exempt status of muni securities.
- **Contributors:** Overweight higher-quality muni bonds.
- **Detractors:** Overweight muni bonds with 10 or more years to maturity.
- **Outlook:** Municipal bond valuations continue to appear attractive to us, particularly on a tax-adjusted basis, with yields near multi-year highs. In a more challenging environment, strong bottom-up research and disciplined security selection will be essential to identifying relative value and potentially preserving portfolio quality.

Performance Review

- The strategy's tilt toward higher-rated bonds contributed to results as lower-quality issues fared worse than their higher-quality counterparts during the period.
- The strategy's overweight to muni bonds with 10 or more years to maturity detracted from relative results as muni bond yields rose over the quarter in this portion of the curve.

Outlook

- We still feel that technical conditions in the market favor investors. Fund flows have moved to be positive, and the additional supply of munis has been well absorbed. The summer months typically see an increase in coupon payments and maturing bonds, which will require reinvestment that should provide a strong base to support valuations.
- Fundamentals remain broadly stable, with Moody's reporting that credit upgrades continued to outpace downgrades. However, as the economy slows and inflationary pressures ease, tax revenue growth at the state and local level is expected to moderate, placing greater importance on credit selectivity going forward.
- Municipal bond valuations continue to appear attractive to us, particularly on a tax-adjusted basis. In a more challenging environment, strong bottom-up research and disciplined security selection will be essential to identifying relative value and potentially preserving portfolio quality.

Portfolio Characteristics

Effective Duration

Portfolio

4.39 Years

State / U.S. Territory Allocation (% of Total)

State	Portfolio
Texas	19.90
Washington	19.78
Florida	19.65
Indiana	18.84
District of Columbia	11.84
Wisconsin	7.68
Utah	2.31

Average annual total returns (%) - as of June 30, 2025-PRELIMINARY

Product	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Net of Fees	0.86	0.87	0.87	1.95	0.79	-1.10	0.04	0.72	1.33	1.94	1.99	12/31/1999
Pure Gross of Fees	1.23	1.63	1.63	3.48	2.30	0.38	1.45	1.83	2.23	2.71	2.76	12/31/1999
Benchmark	1.33	1.82	1.82	3.51	2.32	0.97	1.46	1.54	2.21	2.64	2.68	—

*Cumulative total returns

Benchmark(s)

Benchmark =Linked Bloomberg Municipal Managed Money Short/Intermediate (1-10 Year) Index

Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Fees: Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee for equity and balanced portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary. For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.

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The **Bloomberg Municipal Managed Money Short/Intermediate (1-10 Year) Index** is the 1-10 year component of the Bloomberg Managed Money Index and measures the performance of the publicly traded municipal bonds that cover the USD-denominated short/intermediate term tax exempt bond market, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Source: Bloomberg Indices.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Effective Duration is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes.

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