

# Franklin Municipal Ladder 1-15 Year SMA

Commentary | as of March 31, 2026

## Key Takeaways

- **Markets:** In the first quarter of 2026, new issuance of municipal (muni) bonds exceeded the average seen in the past few years. The war in the Middle East which began at the end of February continued throughout March, dominating market sentiment during the month. By quarter-end, the yield on the benchmark 10-year US Treasury (UST) note moved 15 basis points (bps) higher to 4.32%, and the yield on the 30-year UST bond increased by seven bps to 4.91%. The US Federal Reserve Open Market Committee (FOMC) meeting held in March to review economic and financial conditions in the United States, left rates unchanged, and the statement and press conference emphasized uncertainty related to the Iran war. The Fed indicated that it would look through any initial oil supply shock effect on inflation to focus on core developments, while also noting a likely dragging effect on the economy; ultimately the Committee retained an easing bias.
- **Contributors:** Underweight to bonds rated AAA. Overweight to bonds maturing in one year or less
- **Detractors:** Underweight allocation to bonds with one to three years to maturity. Underweight to bonds rated A, BBB and lower.
- **Outlook:** Municipal bond valuations continue to appear attractive, 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 preserving portfolio quality.

## Performance Review

- The strategy's tilt toward higher-rated securities held back relative results as lower-rated bonds tended to outperform over the period. An overweight to bonds rated AA and an underweight to bonds rated A, BBB and below restrained relative performance. In contrast, an underweight to bonds rated AAA was beneficial.
- An underweight to bonds maturing in one to three years detracted as yields at the shorter end of the curve outperformed over the period. In contrast, an overweight to bonds maturing in one year or less was beneficial.

## Outlook

- The robust demand witnessed at the start of 2026 has begun to soften amid rising market uncertainty, while supply has persisted at a record-setting pace. Looking ahead to 2026, demand will play a crucial role as supply is projected to reach historical highs, primarily driven by infrastructure capital requirements that can no longer depend on previous government stimulus programs alone. The muni-bond yield curve shifted higher during the quarter.
- Fundamentals remain stable but slower economic growth will constrain revenue expansion across many sectors, particularly with respect to tax revenues. Rainy-day funds remain healthy at the state and local government levels, which should bolster fiscal resilience despite ongoing expense growth.
- Following the market pullback in March, municipal bond valuations have strengthened and continue to appear attractive, particularly on a tax-adjusted basis. Yields remain above five-year averages, allowing investors to lock in compelling income. In a more challenging environment, strong bottom-up research and disciplined security selection will be essential to identifying relative value and preserving portfolio quality.

## Average annual total returns (%) - as of March 31, 2026

Composite	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	-0.91	0.17	-0.91	2.64	0.81	-0.62	—	—	—	—	-0.12	12/31/2019
Pure Gross of Fees	-0.54	0.92	-0.54	4.18	2.32	0.87	—	—	—	—	1.38	12/31/2019
Benchmark	-0.27	1.14	-0.27	4.49	2.88	1.17	—	—	—	—	1.63	—

\*Cumulative total returns

## Benchmark(s)

Benchmark = Bloomberg Municipal 1-15 Year Index

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## Glossary

A **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

**Duration** is a measure of the sensitivity of a bond's price to changes in interest rates.

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

A **general obligation bond (GO)** is a municipal bond backed by the credit and taxing power of the issuing jurisdiction rather than the revenue from a given project.

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The **Bloomberg Municipal 1-15 Year Bond Index** is a market value weighted index of investment-grade fixed-rate municipal bonds with maturities of 1-15 years.

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Source: Bloomberg Indices.

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