

# Franklin Municipal Ladder 1-15 Year SMA

Commentary | as of September 30, 2025

## **Key Takeaways**

- Markets: In the third quarter of 2025 (Q3), new issuance of municipal (muni) bonds exceeded the average seen in the
  past few years, driven by a 34% year-over-year surge in July issuance. By quarter end, the yield on the benchmark 10year US Treasury (UST) note fell by eight basis points (bps) to 4.15%, while the 30-year UST yield decreased by four bps
  to 4.73%. US markets rose on clearer tariff policies, economic resilience, and a more dovish Fed, which cut rates by 25
  bps to 4.00%-4.25% in September.
- Contributors: Overweight to muni bonds with seven to 15 years to maturity.
- · Detractors: Overweight to higher-rated muni bonds. Overweight allocation to general obligation (GO) muni bonds
- 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 hurt results as they tended to fare worse than lower-quality muni bonds during the period.
- An overweight to GO bonds detracted from returns for the period as these bonds underperformed revenue-related issues.
- The strategy has modest overweight duration exposure, driven by an overweight exposure to muni bonds with seven to 15
  years to maturity, which was accretive to returns.

## **Outlook**

- Muni bond issuance exceeded historical averages in Q3 as issuers, who had been reluctant to issue new bonds under the
  looming threat to their tax-exempt status, came to market. Positive fund flows into the asset class were not able to keep up
  with the supply. The muni bond yield curve continues to steepen, with longer-maturity bond valuations cheapening
  somewhat
- Fundamentals remain broadly stable, 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, particularly on a tax-adjusted basis. Yields are near multi-year highs, 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 September 30, 2025

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	1.91	2.47	2.21	0.69	2.48	-0.70	_	_	_	_	-0.16	12/31/2019
Pure Gross of Fees	2.29	3.23	3.35	2.20	4.02	0.79	_	_	_	_	1.34	12/31/2019
Benchmark	2.59	3.31	3.71	2.61	4.49	1.15	_	_	_	_	1.58	_

<sup>\*</sup>Cumulative total returns

#### Benchmark(s)

Benchmark = Bloomberg Municipal 1-15 Year Index

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#### **Glossary**

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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