# Franklin Municipal Ladder 1-7 Year SMA 

## Investment overview

The Franklin Municipal Ladder 1-7 Year SMA seek a high level of current income by investing across different municipal issuers. At least every other year in the ladder will have a municipal position with a corresponding maturity in that year for the complete maturity range of the strategy.

## Investment objective

Franklin municipal bond ladders seeks to deliver tax-free income opportunities by investing across different municipal issuers. Our strategy invests in high-quality bonds, seeking to take advantage of relative valuation differences between sectors, geographic regions, issuers and individual bond issues.

## Why invest in municipal ladders

- A diversified set of municipal bonds with staggered maturities may offer advantages over self-managed
- portfolios by creating a stable stream of income.
- Ladders have the potential to offer a stable, predictable source of cash flows generated by a portfolio of high-quality securities with known maturity dates.
- Laddered portfolios may help minimize the impact of rising interest rates by allowing any principal
- from maturing bonds to be reinvested at higher prevailing rates.
- Ladders represent a disciplined approach to credit selection and rigorous on-going monitoring that gives investor access to investment expertise through various credit cycles

Investment management team
Jeff Snyder
Portfolio Manager
Industry since 1998

## Dylan G. Sanderson Portfolio Manager <br> Industry since 2004

Francisco Rivera Portfolio Manager Industry since 1994

Chris Sperry, CFA
Portfolio Manager
Industry since 1996

## Mechanics of Laddered Portfolio*

As bonds on each rung of the ladder mature, the principal plus interest (if desired) are typically reinvested into longer-dated, higher-yielding securities:

| Higher Yielding Bonds |  | $\rightarrow$ | 2035 | $\rightarrow$ | 2036 | $\rightarrow$ | 2037 | $\Gamma$ | 2038 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  | 2035 |  | 2036 |  | 2037 |
|  | 2032 | ㅁㅠㅃ |  | \% | 2034 | 要 | 2035 | 흏 | 2036 |
|  | 2031 | 免 | 2032 | , | 2033 | , |  | E | 2035 |
|  | 2020 | - | 2031 | \% | 2032 | $\stackrel{5}{8}$ |  | $\stackrel{8}{8}$ |  |
|  | 2029 | \% | 2030 | \% | 2031 | \% | 2032 | 8 |  |
|  | 2028 | $\stackrel{0}{5}$ | 2029 | ᄃ | 2030 | $\stackrel{\square}{5}$ | 2031 | $\frac{\square}{\delta}$ | 2032 |
|  | 2027 | 응 | 2028 | 흘 | 2029 | E | 2030 | 흘 | 2031 |
|  | 2026 |  | 2027 | $\stackrel{\rightharpoonup}{\mathbf{0}}$ | 2028 | $\begin{aligned} & \stackrel{\rightharpoonup}{\ddot{x}} \\ & \hline \end{aligned}$ | 2029 | \% | 2030 |
|  | 2025 | శ్్ㅣ | 2026 | N్డ్ | 2027 | శ్డ్ర | 2028 | డ్గ్ర | 2029 |
|  | 2024 |  | 2025 |  | 2026 |  | 2027 |  | 2028 |
| Lower Yielding Bonds | 2023 | - | 2024 | - | 2025 | $\pm$ | 2026 | - | 2027 |
|  | Year 1 |  | Year 2 |  | Year 3 |  | Year 4 |  | Year 5 |

*For illustrative purposes only. Minimum initial amount may vary.


Identify ladder structure Current holdings are reviewed, and a comprehensive analysis is provided of how they would be transitioned into a Franklin Laddered Portfolio. For new accounts incepting with cash, we will construct a portfolio, equally weighted across the rungs of the chosen ladder with different issuers. The ladder rungs are determined by the account size at either 1- or 2-year rungs.


Leverage deep in-house research
We employ a rigorous credit research process centered around a sector-specific, transaction driven model. Each analyst typically follows between one and three sectors and works with all of the portfolio managers in assessing primary and secondary market transactions and surveillance of current holdings.


## Uncover attractive yield opportunities

We source opportunities in both the primary and secondary markets. Our presence as a leader in the space allows for institutional access to primary market supply as well as institutionallevel execution when both buying and selling.

## Build a high-quality portfolio

The team implements the investment strategy using a disciplined conservative approach, focusing on credits with strong fundamentals while avoiding riskier bonds and those subject to the alternative minimum tax.


## Ongoing Portfolio and credit monitoring

We regularly monitor each client's portfolio as well as the bond market to help ensure the portfolio continues to be appropriately positioned. A member of the team is available to review account holdings and performance upon request.

The investment process may change over time. The characteristics set forth above are intended as a general illustration of some of the criteria the strategy team considers in selecting securities for client portfolios. There is no guarantee that investment objectives will be achieved.

Portfolio Information ${ }^{\ddagger}$
As of December 31, 2023

## Characteristics

|  | Portfolio |
| :--- | ---: |
| Effective Duration | 3.79 Years |
| Yield to Maturity | $2.53 \%$ |
| Yield to Worst | $2.42 \%$ |
| Weighted Average Coupon | $4.64 \%$ |
| Weighted Average Price | 109.00 |
| Weighted Average Maturity | 4.60 Years |

## Sector Weightings (\%)

|  | Portfolio |
| :--- | ---: |
| Local | 50.16 |
| Education | 21.39 |
| Utilities | 14.27 |
| Special Tax | 7.11 |
| Other Revenue Bonds | 7.07 |

Credit Quality (\%)

|  | Portfolio |
| :--- | ---: |
| AAA | 35.72 |
| AA | 64.28 |
| A | 0.00 |
| BBB | 0.00 |

## Average Maturity (\%)

|  | Portfolio |
| :--- | ---: |
| 1 to 2 Years | 14.41 |
| 2 to 3 Years | 14.32 |
| 3 to 5 Years | 28.34 |
| 5 to 7 Years | 28.60 |
| 7 to 10 Years | 14.33 |

$\ddagger$ Source: Franklin Templeton. Portfolio characteristics are based on a model portfolio, not an actual client account. The model portfolio is a hypothetical portfolio whereby the portfolio characteristics are based on simulated trading and account activity of a client account invested in this strategy. The model portfolio assumes no withdrawals, contributions, or client-imposed restrictions. Portfolio characteristics of individual client accounts may differ from those of the model portfolio as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors.
Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio. Past performance is not an indicator or a guarantee of future performance.

Credit quality is a measure of a bond issuer's ability to repay interest and principal in a timely manner. The credit ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard \& Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). For non-municipal portfolios, when ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. For municipal portfolios, when ratings from multiple agencies are available, the highest is used, consistent with the portfolio investment process. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The Refunded category consists of refunded bonds secured by U.S. government or other high-quality securities. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The For non-municipal portfolios, Not Applicable category consists of nonratable securities (e.g., equities). For municipal portfolios, the Not Applicable category consists of third-party ETFs and securities that only have a short-term rating and are not cash equivalents. Where cash is included in the breakdown, it includes equivalents, which may be rated..

## Performance

| Annualized Rates of Return - Pure Gross and Net of Fees (\%) as of December 31, 2023 - PRELIMINARY - (Inception Date: 12/31/2019) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | YTD* | 1 Mth* | 3 Mths* | 1 Year | 3 Year | Incept |
| Franklin Municipal Ladder 1-7 Year SMA-Pure Gross of Fees-(USD) | 3.23 | 1.26 | 4.19 | 3.23 | -0.27 | 0.55 |
| Franklin Municipal Ladder 1-7 Year SMA-Net of Fees-(USD) | 1.71 | 1.14 | 3.81 | 1.71 | -1.75 | -0.94 |
| Bloomberg Municipal 1-5 Year Blend-(USD) | 3.76 | 1.08 | 3.90 | 3.76 | 0.14 | 0.88 |

Calendar-Year Total Returns - Pure Gross and Net of Fees (\%) ending December 31

|  | $\mathbf{2 0 2 5}$ | $\mathbf{2 0 2 3}$ | $\mathbf{2 0 2 2}$ | $\mathbf{2 0 2 1}$ |
| :--- | :---: | :---: | :---: | :---: |
| Franklin Muni Ladder 1-7 Yr-Pure Gross of Fees-(USD) | $\mathbf{2 0 2 0}$ |  |  |  |
| Franklin Muni Ladder 1-7 Yr-Net of Fees—(USD) | -3.78 | -0.14 | 3.05 |  |
| Bloomberg Muni 1-5Yr Blend-(USD) | $\mathbf{1 . 7 1}$ | -5.21 | -1.62 | 1.53 |

The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). 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.
${ }^{1}$ Fees: Returns for periods less than one year are not annualized. Pure gross of fee returns do not reflect the deduction of any expenses, including transaction costs. Net performance includes the deduction of a $3.0 \%$ annual wrap fee, which is the maximum anticipated wrap fee for equity and balanced strategies and $1.5 \%$ for fixed income strategies. Actual fees 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 disclosure document. Returns reflect the reinvestment of dividends and other earnings. All performance is reported in US dollars.

Past performance is not a guarantee of future results. To obtain specific information on available products and services or a GIPS® Report, contact your Franklin Templeton separately managed account sales team at (800) DIAL BEN/342-5236. Franklin claims compliance with the Global Investment Performance Standards (GIPS ${ }^{\circledR}$ ). GIPS ${ }^{\circledR}$ is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
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.

Performance Statistics ${ }^{1}$ Preliminary (based on 3 -year period ending December 31, 2023)

Risk/Return profile (\%)



Growth of $\$ 100,000^{*}$


1 Source: Franklin Templeton.

* For illustrative purposes only. Assumes no withdrawals or contributions. These statistics are based on pure gross and net-of-fees quarterly composite returns, were calculated assuming reinvestment of dividends and income, and take into account both realized and unrealized capital gains and losses. Pure gross of fee returns do not reflect the deduction of any expenses, including transaction costs. Net performance includes the deduction of a $3.0 \%$ annual wrap fee, which is the maximum anticipated wrap fee for equity and balanced portfolios.


## Terms and definitions:

Dividend yield is determined by dividing a stock's annual dividends per share by the current market price per share. Dividend yield is a financial ratio that shows how much a company pays out in dividends.
P/E (Year 1) is the previous day's closing price of the stock divided by the consensus earnings per share (EPS) of fiscal year 1 (FY1) provided by I/B/E/S. Forecasts are inherently limited and should not be relied upon as indicators of future performance.
The price-to-book ratio (P/B) is a stock's price divided by the stock's per share book value. Eamings per share (EPS) is the portion of a company's profit allocated to each outstanding share of a common stock.
Weighted median market capitalization represents the value at which half the portfolio's market capitalization weight falls above and half falls below.
Weighted average market capitalization represents the average value of the companies held in the porffolio. When that figure is weighted, the impact of each company's capitalization on the overall average is proportional to the total market value of its shares.
Market capitalization measures the number of outstanding common shares of a given corporation multiplied by the latest price per share.
Standard deviation measures the risk or volatility of an investment's return over a particular time period; the greater the number, the greater the risk.
The up-capture ratio measures the manager's overall performance to the benchmark's overall performance, considering only quarters that are positive in the benchmark. An upcapture ratio of more than 100 indicates a manager who outperforms the relative benchmark in the benchmark's
positive quarters.
The down-capture ratio is the ratio of the manager's overall performance to the benchmark's overall performance, considering only quarters that are negative in the benchmark. A down-capture ratio of less than 100 indicates a manager who outperforms the relative benchmark in the benchmark's negative quarters and protects more of a portfolio's value during down markets.
Alpha is a measure of performance vs. a benchmark on a risk-adjusted basis. A positive alpha of 1.0 means the portfolio has outperformed its benchmark index by
$1 \%$. Correspondingly, a similar negative alpha would indicate an underperformance of $1 \%$. Alpha is a measure of the difference between actual returns and expected performance measuring sensitivity to index movements.
Beta measures the sensitivity of an investment to the movement of its benchmark. A beta higher than 1.0 indicates the investment has been more volatile than the benchmark and a beta of less than 1.0 indicates that the investment has been less volatile than the benchmark.
Sharpe ratio is a risk-adjusted measure, calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better a portfolio's historical risk-adjusted performance.
R-squared measures the strength of the linear relationship between a fund and its benchmark. R-squared at 1.00 implies perfect linear relationship and zero implies no relationship exists.

## Risks

All investments involve risks, including possible loss of principal. Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. Liquidity risk exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. Active management does not ensure gains or protect against market declines. Porfolios focused on a single state are subject to greater risk of adverse economic and regulatory changes than a geographically diversified portfolio.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.
Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC (FTPPG), a federally registered investment advisor. Client porffolios are managed based on investment instructions or advice provided by affiliated subadvisors of Franklin Templeton. Management is implemented by FTPPG, the designated subadvisor or, in the case of certain programs, the program sponsor or its designee.
On December 1, 2022, Legg Mason Private Porffolio Group, LLC (LMPPG) changed its name to Franklin Templeton Private Portfolio Group, LLC (FTPPG).
These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.
© Franklin Distributors, LLC. Member FINRA/SIPC.

