

Tax Managed Municipal Bond Ladders starting at 9 bps



Systematically harvest losses with Franklin Tax-Managed Municipal Bond Ladders

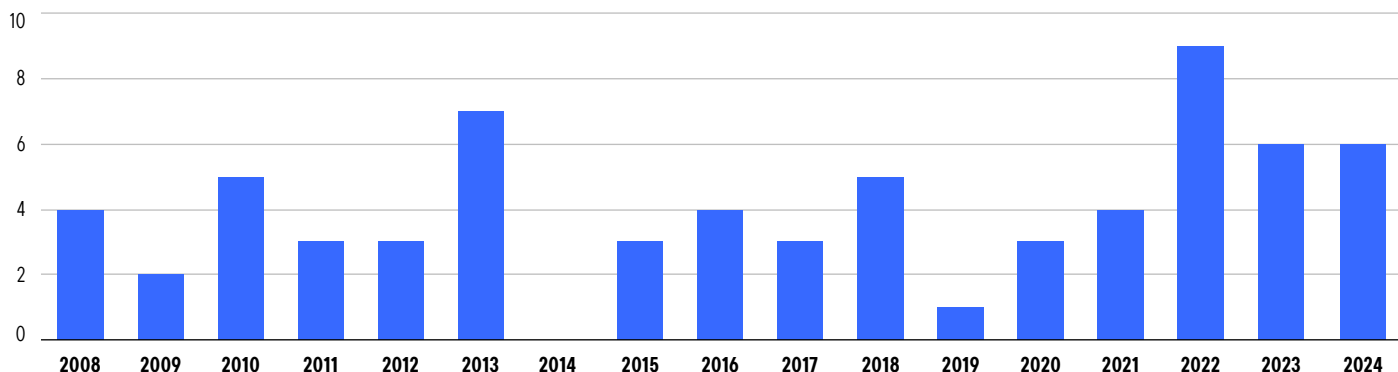
Investors in municipal SMA strategies have always had the ability to direct tax-loss harvesting requests on their accounts, but doing so was a manual effort typically focused on a year-end process. Through systematic tax loss harvesting built into the investment process, this frequently underutilized feature and benefit of SMAs stays front and center year-round in a consistent manner without further intervention.

Losses are inevitable—but they can be used as financial assets

Despite lower volatility, municipal bonds can experience losses throughout the year. By employing a systematic tax loss harvesting process into the management of client accounts, these strategies can help investors capture more opportunities to harvest losses and maximize loss carryforwards.

Number of Months with Losses

2008–2024



For illustrative purposes only.

Source: Bloomberg as of 12/31/2024. Based on the Bloomberg Municipal Bond Total Return Index.

The tax-managed overlay

- Systematically review and sell bonds whose loss exceeds the predetermined thresholds
- Thresholds are determined by expected transaction costs for a certain sized position
- Sales only occur when a matching buy has been identified to minimize uninvested cash in the portfolio
- This process is executed daily to identify sale candidates

Using 2022 as a sample year, this systematic tax-managed process would have created over \$77,000 in losses on a \$1mm portfolio by the end of the year.¹

Investment objective

Franklin Municipal Bond Ladders seek 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.

Investment process



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 increments.



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 institutional-level 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.



Active tax management and ongoing portfolio monitoring

The manager will place an emphasis on tax management through actively managing losses and gains consistently within the portfolio. We regularly monitor each client's portfolio as well as the municipal bond market to help ensure the portfolio continues to be appropriately positioned.

Why invest in municipal ladders

- A diversified set of municipal bonds with staggered maturities may offer advantages over self-managed portfolios by creating a potential for 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 ongoing monitoring that gives investor access to investment expertise through various credit cycles.

Why Franklin Municipal Ladders?

Credit research

Opportunity to tap into the expertise of Franklin's credit research team who offer in-depth analysis and coverage across the entire municipal market.

Institutional market access and pricing

Franklin is one of the largest municipal bond managers in the nation. Our broad presence in the market provides us greater access to inventory, helping us efficiently navigate the market to find bonds in appropriate sizes and at institutional prices.

Conservative approach

We combine comprehensive research with a risk-aware approach as we seek to generate income and reduce volatility.

Portfolio customization options

	1–3 Years Ladder— Tax Managed	1–7 Years Ladder— Tax Managed	1–15 Years Ladder— Tax Managed	5–20 Years Ladder— Tax Managed
AMT Exposure	Excluded	Excluded	Excluded	Excluded
Credit Quality²	Minimum credit rating of A–	Minimum credit rating of A–	Minimum credit rating of A–	Minimum credit rating of A–
Coupon Income	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash	Choice to reinvest coupon income or receive cash
Minimum Initial Investment	\$175K	\$175K	\$175K	\$250K
State Availability	National, 20 state-specific portfolios, 6 state preference	National, 20 state-specific portfolios, 6 state preference	National, 20 state-specific portfolios, 6 state preference	National, 20 state-specific portfolios, 6 state preference
Number of Bonds³	Minimum 4 bonds every rung Minimum 14 positions	Minimum 2 bonds every rung Minimum 14 positions	Minimum 1 bond every rung Minimum 15 positions	Minimum 1 bond every rung Minimum 16 positions
Benchmark	Bloomberg Municipal 1–3-Year Index	Bloomberg Municipal 1–5-Year Blend	Bloomberg Municipal 1–15-Year Index	Bloomberg Municipal Bond Index
Fee	9 bps	9 bps	9 bps	9 bps

State-specific mandates

Arizona, California, Colorado, Connecticut, Florida, Louisiana, Massachusetts, Maryland, Michigan, Missouri, Minnesota, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Texas, Utah, Virginia

State preference mandates

Alabama, Georgia, Hawaii, Indiana, Kentucky, South Carolina

Certain state-specific portfolios may not be available in all programs. Additional state-specific portfolios may be available upon request and are subject to review. Please note that all investment solutions may not be available. Please consult your Financial Professional or **sponsor firm** for availability.

Investment team



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WHAT ARE THE 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.

Tax management practices may impact performance, portfolio characteristics and holdings; and may not result in favorable outcomes. **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. Portfolios focused on a **single state** are subject to greater risk of adverse economic and regulatory changes than a geographically diversified portfolio.

Bond ladders are subject to market risk and are not guaranteed. A prolonged decline in the bond market can result in a decline in price. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. Bond portfolio laddering does not reduce market risk, and the principal and yield of investment securities will fluctuate with changes in market conditions.

IMPORTANT LEGAL INFORMATION

Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), a federally registered investment advisor. Client portfolios 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.

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 a client's request. For additional information, documents and/or materials, please speak to your Financial Professional or contact your sponsor firm.

FOOTNOTES

1. Source: Based on the Franklin Municipal Ladder 1-7-Year SMA \$1mm par portfolio with 50% in 100k positions, 50% in 50k positions, 15 positions in total. Time period is calendar year 2022. Assumes all bonds purchased on the first day of the year at prevailing market yields. Loss thresholds for trades are driven by position size. The 100k positions will execute trades at 1 basis point loss and the 50k position have a threshold for losses of \$1,000 which equates to 2 basis point. The transaction is assumed to have occurred on the day the threshold is breached.

2. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch. When ratings from multiple agencies are available, the highest is used, consistent with the portfolio investment process. Ratings reflect an NRSRO's opinion of an issuer's creditworthiness and typically range from AAA (highest) to D (lowest). The Refunded category consists of refunded bonds secured by US government or other high-quality securities. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of third-party ETFs and securities that only have a short-term rating and are not cash equivalents. Cash includes equivalents, which may be rated. All holdings are subject to change.

3. The number of bonds in a portfolio may vary by the timing of purchases and sales, changes in the purchase and sell list, general market conditions, and factors specific to each existing account due to client considerations. A concentration in a small number of holdings may increase risk exposure. Any decline in value of an individual bond may have a material impact on the account value.



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