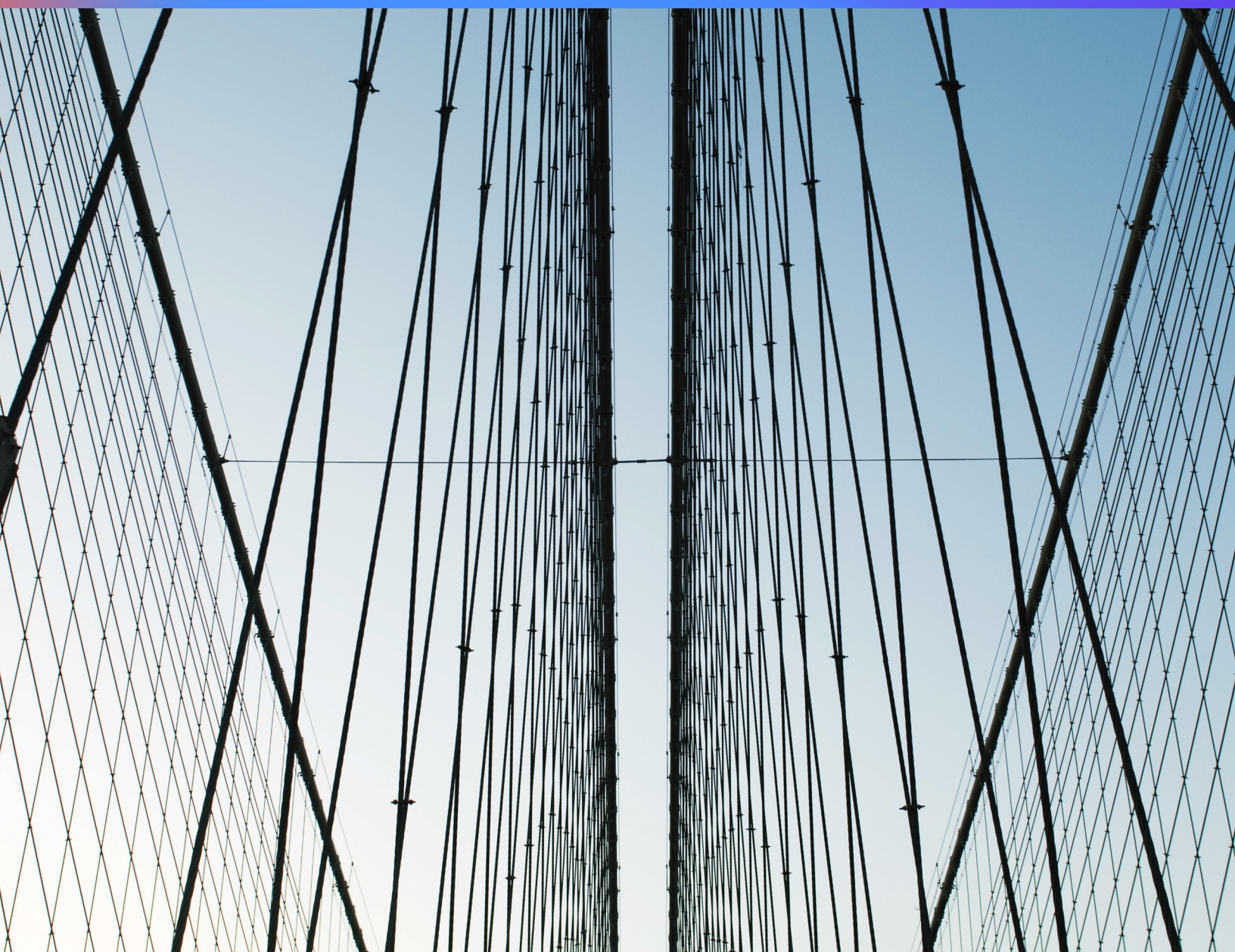




# Municipal bond separately managed accounts



Not FDIC Insured | No Bank Guarantee | May Lose Value



The following pages discuss important considerations for today’s municipal bond investors as well as Franklin’s municipal bond capabilities:

Benefits of professional municipal bond management	2
Separately managed accounts—helping investors pursue their goals	4
Customized solutions to accommodate your specific needs	5
A tax-free leader	6
High level of service	8

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.

# Benefits of professional municipal bond management

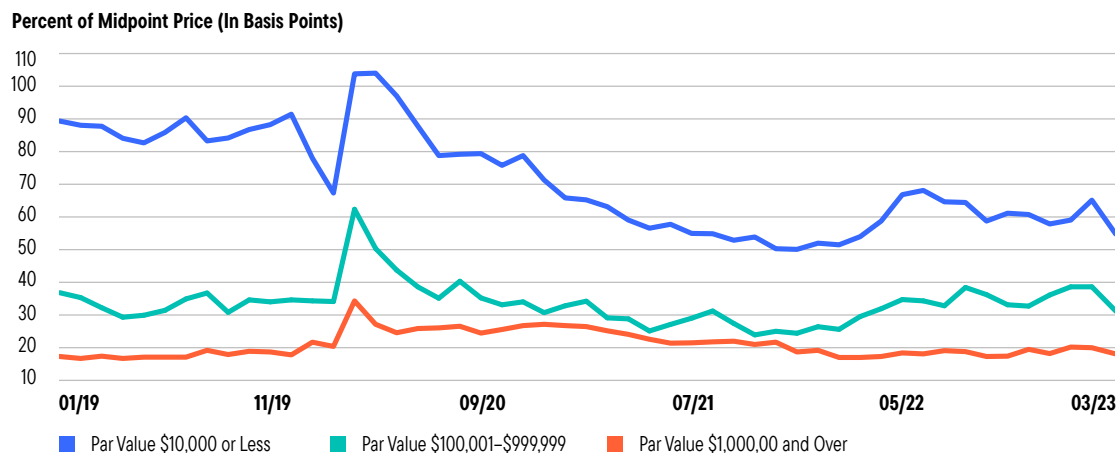
Consider these four ways that a professional SMA manager can add value to a municipal portfolio:

## 1 | Institutional pricing advantage and buying power

High-volume institutional buyers such as Franklin Templeton Fixed Income and Western Asset can access wholesale pricing for municipal bonds, unlike an individual investor.

### Effective Spread for Fixed Rate Municipal Securities Customer Trades<sup>1</sup>

January 2019–March 2023

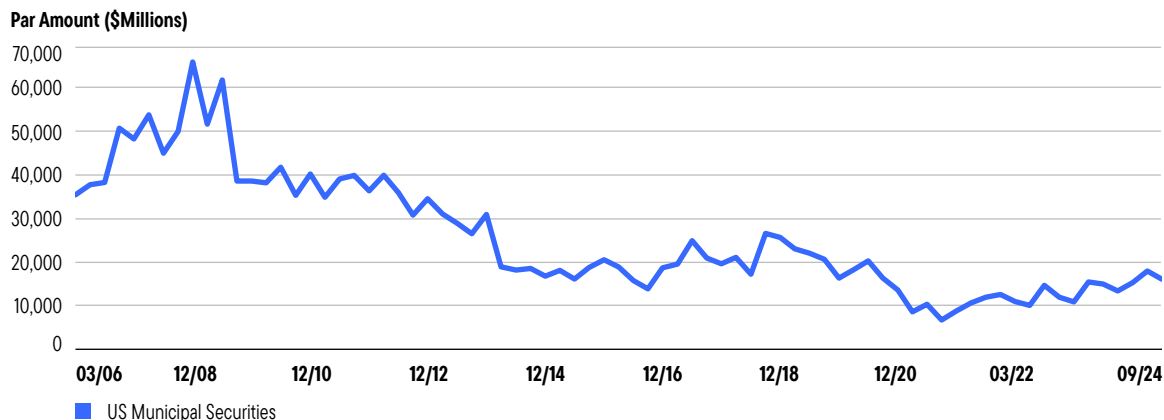


## 2 | Access to inventory despite reduced inventories

The number of municipal securities available through dealers has steadily declined since 2008. However, major firms like Franklin Templeton and Western Asset have the scale to ensure access to a wide range of municipal securities even now, when inventories are relatively low.

### U.S. Municipal Securities Held by Dealers<sup>2</sup>

March 31, 2006–September 30, 2024



1. Source: Simon Z. Wu, Ph.D. and Nicholas J. Ostro. August 2023. *What Has Driven the Surge in Transaction Costs for Municipal Securities Investors Since 2022?*, Municipal Securities Rulemaking Board (MSRB). <https://www.msrb.org/sites/default/files/2023-08/What-Has-Driven-the-Surge-in-Transaction-Costs-for-Municipal-Securities-Investors-Since-2022.pdf>. MSRB analysis with data obtained from MSRB's Real-Time Transaction Report System (RTRS) database. Midpoint price is the average between two data points to calculate the percent change in the price of a security and demand. Refer to Important Disclosures for additional information. Most recent data available.

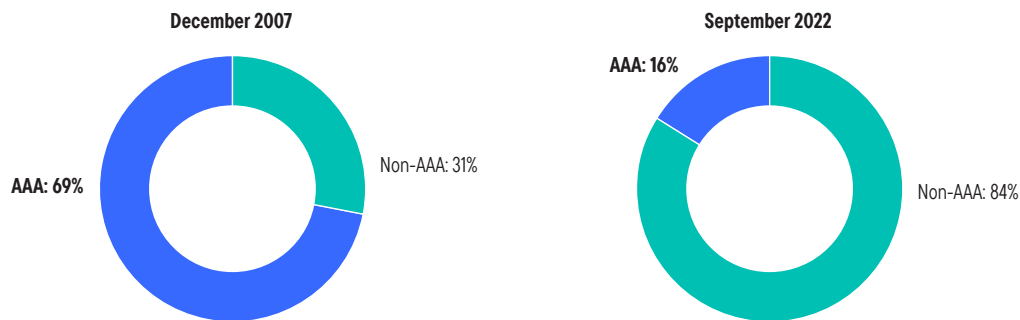
2. Source: Federal Reserve Board.

### 3 | Insight across the municipal credit spectrum

The proportion of municipal bonds rated AAA has fallen sharply since 2007—from 69% to just 16% in 2022. That dramatic shift underscores the need for the in-depth research from professional managers covering every level of the market.

#### Municipal Bond Market: Ratings Breakdown<sup>3</sup>

The supply of high quality municipal bonds is down



### 4 | An inefficient municipal bond market requires active management

Investing in municipal bonds is difficult because the market is vast in size and complex, with a fragmented trading system making it difficult to navigate.

**50,000+**

Issuers for municipal securities, compared to 6,000 for corporate securities<sup>4</sup>

**70%**

Of municipal bonds are held by individual investors, some of whom represent direct holders of bonds<sup>6</sup>

**10,000+**

New issues are priced each year; a large number of those issuers are infrequent participants<sup>5</sup>

**1,000,000**

Distinct municipal bonds, compared to 40,000 distinct corporate bonds<sup>5</sup>

3. Source: Bloomberg Municipal Research. Breakdowns are as of 12/31/2007 and 9/30/2022. 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 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 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.

4. Source: Municipal Securities Rulemaking Board (MSRB) as of December 31, 2024. Most recent data available.

5. Bloomberg.

6. Source: Federal Reserve. Represents all municipal bonds held by individuals in a brokerage account or through a commingled vehicle.

# Separately managed accounts—helping investors pursue their goals

Having assets managed on a separate account basis offers high-net-worth investors several potential benefits.

## Personal portfolio management



The SMA vehicle makes it easy for managers to accommodate a client's unique investment goals, risk tolerance, liquidity needs and objectives such as control over certain taxes, cash flow, turnover and continuous portfolio maintenance. Franklin Templeton can provide a personalized analysis based on current holdings to illustrate the hypothetical impact for clients.

## Direct security ownership



SMA investors own the individual securities in the account, rather than owning shares in a fund holding those securities. As a result, they are not exposed to the distribution activity of a comingled fund. For instance, a mutual fund might have to sell assets in a declining market to meet shareholder withdrawals, triggering capital gain distributions.

## Aligned with client values



Separate account management allows clients to establish investment guidelines that reflect their moral and ethical values. In addition, they may set guidelines that reflect extraordinary economic exposure from other investments they may already own.

**For those clients looking to potentially transition a portfolio of municipal bonds, our sales team can offer a personalized analysis of their current portfolio holdings.**

## SMA and after-tax income from municipal bonds

Investing in municipal bonds may allow investors to receive income free of federal, state and possibly local income tax. Doing so through an SMA offers an additional advantage of potentially lowering taxes, via a tax managed process that will provide clients the opportunity to minimize capital gains and overall tax bill.

- In an SMA, each bond purchase establishes a separate cost basis, a potentially advantageous strategy for minimizing capital gains on the sale of bonds or in gifting situations.
- Our managers avoid bonds subject to the alternative minimum tax (AMT).<sup>5</sup>
- Franklin Templeton bond managers focus on maximizing tax-free income and preserving capital in client accounts.

5. The de minimis rule determines whether the price appreciation of securities purchased at a discount will be taxed at the ordinary income tax rate or the capital gains tax rate. If a discount is less than 0.25% of the face value for each full year from the date of purchase to maturity, then it is too small (that is, de minimis) to be considered a market discount for tax purposes. Instead, the accretion is a capital gain.



# Customized solutions to accommodate your specific needs

## Each portfolio is unique

When requested to fund a portfolio with your existing holdings, we review each security for fit with our philosophy, seeking to minimize taxable events and maximize total return.

## Over the life of the portfolio

- We continuously seek out new investment opportunities to maintain the structure of the portfolios with appropriate, high-quality, tax-exempt securities.
- Our team of portfolio managers reviews portfolios, evaluating:
  - Diversification
  - Market structure
  - Portfolio structure
  - Income structure
  - Maturity structure
  - Trading liquidity
  - Interest rates
  - Portfolio quality
  - Yield curve
- We monitor investments daily using our proprietary database to ensure that your portfolio is well positioned.

We offer a wide range of municipal solutions that includes municipal ladders and total return strategies—each customizable to address clients’ investment needs.

## Customization options and individual requests



**State-specific request\***  
Request a state-specific mandate or best effort preference



**Maturity**  
Set a target maturity range



**Sustainable objectives**  
Portfolios that can invest in bonds that support environment sustainability and stewardship



**Credit quality**  
Target certain rating categories



**Custom restrictions**  
Exclude specific sectors or securities to align with principles or values



**Duration**  
Set a target duration range



**Tax-loss harvesting**  
Review complicated tax concerns and needs



**In-kind funding**  
Gradually transition securities in-kind



**Distributions**  
Request withdrawals on a monthly or quarterly basis

\*State specific mandates include Arizona, California, Colorado, Connecticut, Florida, Louisiana, Massachusetts, Maryland, Michigan, Missouri, Minnesota, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Texas, Utah, and Virginia. State preference mandates include Alabama, Georgia, Hawaii, Indiana, Kentucky and 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.

# A tax-free leader

Franklin Templeton is a global leader in asset management with more than seven decades of experience. Our tax-free investment offerings include two specialized investment managers, each expert in the municipal bond marketplace—**Franklin Templeton Fixed Income and Western Asset**. With over 90 years of combined experience, they each have extensive expertise identifying opportunities and risks that others might miss. Both specialized investment managers bring their own distinct capabilities, resulting in a comprehensive line-up of tax-free options to help investors meet their investment goals.

## Franklin Templeton Fixed Income (FTFI)

### Experience and resources matter

FTFI is one of the largest municipal bond fund managers in the nation. Our experienced team of over 30 investment professionals has an average of 20 years of tenure with the firm. The team's experience navigating through multiple market cycles helps them uncover opportunities and identify indications of risk others may miss.

### Comprehensive research capabilities

Our team of investment professionals conducts in-depth research across the entire municipal bond landscape, with the ability to review every issue at any time, allowing us to identify potential opportunities and problems.

### Extensive product line-up

As one of the largest municipal bond managers, we offer our investors a full suite of products including separately managed accounts, tax-free mutual funds (including national and state-specific) and ETFs for individuals or institutional clients.



**Ben Barber**

SVP

Director of Municipal Bonds

Years of industry experience: 33



**Jennifer Johnston**

SVP

Director of Municipal Research

Years of industry experience: 32



## Combined muni capabilities<sup>6</sup>

15<sup>+</sup>

Years of  
firm experience

\$87<sup>+</sup> billion

Total assets  
under management<sup>3</sup> (USD)

40<sup>+</sup>

Investment  
professionals

20<sup>+</sup>

Years of investment  
professional experience

## Western Asset

### Founded in 1971

With over 50 years of experience, Western Asset is one of the world's leading fixed-income investment managers.

### A fixed-income specialist

Western Asset specializes in managing fixed-income strategies, employing a proven investment philosophy and process to protect capital and drive long-term growth for clients.

### Globally integrated

Operates as a single team with an open, integrated investment platform bringing together the combined experience and fixed-income acumen of investment professionals throughout the world.



**Robert Amodeo, CFA**

Head of Municipal Bonds

Years of industry experience: 38

6. As of December 31, 2024. Investment professionals include portfolio managers, portfolio managers/analysts, and research analysts of Franklin Templeton and subsidiary investment management groups.

# High level of service

Franklin Templeton offers a range of services designed to assist advisors and their clients in understanding the municipal market and ensuring a quality experience.



## Representative portfolio analysis

A host of tools that provide an example of how the portfolios are allocated by call, quality and yield-to-maturity breakdowns given variable parameters of maturity, state and account size.



## Simple and transparent on-boarding process

During the on-boarding process, our goal is to understand your clients' financial goals and risk tolerance to help ensure a seamless transition into our muni SMA platform.



## Dedicated service team

Our SMA specialists and investment specialist teams are here to help you expand your value and deepen client relationships.

## Tools

Franklin Templeton SMAs offers the following investment management tools to help clients understand owning municipal bonds:

<b>Hypos</b> 	Provides an example of how the portfolios are allocated given variable parameters of maturity, state and account size.
<b>Proposals</b> 	Expands on the hypo and provides a breakdown of estimated sample holdings and cash flow. Customized proposals are available by request.
<b>Municipal bond reviews</b> 	For clients with municipal bond holdings, this tool provides a detailed breakdown of their current municipal holdings against one of our strategies, and what we would do if they transferred these bonds over in-kind.
<b>Reporting</b> 	With an SMA, you receive regular comprehensive reporting. Your account statements show the securities you own, number of shares and many other details to help you understand how your investments are performing.



## 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.

**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.

## IMPORTANT INFORMATION

**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.**

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## IMPORTANT DISCLOSURES

The data in the chart on page 2 titled "Effective spread for fixed rate municipal securities customer trades" was provided by the Municipal Securities Rulemaking Board ("MSRB"). © MSRB 2024. All rights reserved.

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