

Municipal Intermediate Term Bond SMA

Strategy Focus



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Strategy summary

- An intermediate-term municipal bond offering, with a national focus, that seeks to provide a compelling risk-adjusted yield that can translate into an attractive stream of tax-free income over time.
- Backed by our independent credit research, our investment approach emphasizes revenue bonds over general obligation debt as a result of our concerns about the fiscal challenges and political uncertainty that many state and local governments face.
- Portfolio duration will typically be managed to remain neutral relative to the Bloomberg Municipal 1–15 Year Blend (1–17) Bond Index, allowing security selection and sector weights to be our primary sources of value-added performance over time.
- Individual holdings rated A- or better at the time of purchase.
- Leveraging our quantitative capabilities, we are able to systematically capture the essential elements of our traditional mutual funds into concentrated separately managed account portfolios.

Features

Established and consistent investment philosophy and process

We have adhered to our investment philosophy and process since 1976, with the inception of our flagship national municipal bond fund. We have consistently implemented our disciplined investment process through a wide range of market conditions and believe that our long-term performance track record validates our approach.

Experience managing municipal bond assets

We offer our clients an established and rigorous investment process in managing municipal products, honed over decades. Our highly experienced portfolio management team has largely been managing municipal bond portfolios since the early 1990s. Our portfolio management team has successfully navigated through multiple market cycles and has demonstrated a deep understanding of fundamental factors driving returns in the municipal market.

Fundamental credit research

With one of the industry's strongest commitments to in-house research, T. Rowe Price portfolio managers rely on our proprietary research and independently developed internal credit ratings to support all of their investment decisions. Our dedicated municipal credit research team goes beyond the audited financial statements to assess budgetary, economic, demographic, and political factors, often incorporating on-site visits and interviews with municipal managers in their evaluation. Analysts often have specialties, such as covering health care credits, and use this extensive sector knowledge to assist our portfolio managers in identifying attractive investment opportunities. With regard to corporate-backed municipal issues, we are able to leverage T. Rowe Price's broader research platform and collaborate with our equity and taxable colleagues for additional insights on such offerings.

Investment approach

We believe that by combining experienced portfolio management and independent fundamental research within a disciplined investment process, we are able to identify compelling risk-adjusted yields in the municipal bond market. The following elements of our investment approach make for a compelling offering:

Emphasis on Revenue Bonds. We typically favor revenue-backed bonds at the expense of general obligation debt as a result of our concerns about political uncertainty and the fiscal challenges that many municipalities face with funding long-term liabilities. We expect single-project revenue bonds (toll roads, airports, etc.) that are secured by revenuegenerating assets to be more insulated from these risks, which we believe will become increasingly priced into the market over time.

Risk Awareness. As a fundamental part of our investment process, we avoid making large top-down interest rate calls, instead emphasizing security selection and sector weights as the primary drivers of value-added performance. T. Rowe Price municipal separately managed account (SMA) portfolios are managed to be both duration and yield curve neutral relative to the benchmark. We believe that by focusing on security selection and sector weightings, we are able to identify compelling risk-adjusted yield that can drive an attractive stream of tax-free income over time.

Systematic and Active Management. Leveraging our extensive quantitative capabilities, we seek to systematically capture our established investment process within SMA portfolios. Strategy targets that include sector, duration, and credit quality weightings are set within our robust portfolio management tool, and a refined scoring process quickly identifies portfolios that are off target.

Ongoing Relative Value Assessment. In collaboration with our dedicated tax-exempt traders who follow the pulse of the market, our quantitative analysts have developed and refined proprietary tools over many years that enhance our understanding of relative value in the municipal market on a real-time basis and support our fundamentally driven investment decisions.

Why a T. Rowe Price Municipal Bond SMA?

T. Rowe Price's separately managed accounts (SMAs) offer access to our firm's expertise to identify opportunities and pursue solid, long-term results through our disciplined approach to investing. We are focused on helping our clients invest confidently. Backed by our experience over many investment cycles, our SMAs provide one more way to access T. Rowe Price's established active management approach.

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T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

Definitions

Revenue Bond: A revenue bond is a category of municipal bond supported by the revenue from a specific project, such as a toll bridge, highway, or local stadium. Revenue bonds that finance income-producing projects are thus secured by a specified revenue source.

General Obligation Bond: General Obligation (GO) bonds are a form of long-term borrowing in which the state or local governments issue municipal securities and pledges its full faith and credit to their repayment.

Duration: Duration can measure how long it takes, in years, for an investor to be repaid a bond's price by the bond's total cash flows. Duration can also measure the sensitivity of a bond's or fixed income portfolio's price to changes in interest rates.

Additional Disclosure

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Important Information

Risks: All investments are subject to risks, including the possible loss of principal. Fixed income securities are subject to credit risk, liquidity risk, call risk, and interest rate risk. As interest rates rise, bond prices generally fall. The portfolio will be highly impacted by events tied to the overall municipal securities markets, which can be very volatile and significantly affected by unfavorable legislative or political developments and adverse changes in the financial conditions of municipal securities issuers and the economy. Differences between compared investments may include, fees, expenses, liquidity, volatility, tax features, holdings, and other features, which may result in differences in performance. There is no assurance the investment objectives will be met. State and local taxes may apply.

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