

Client with \$7 Million Municipal Bond Portfolio Switches to Ladder Strategy

CHALLENGE

An advisor's longtime client sought a way to navigate new challenges in the municipal bond market.

SOLUTION

We conducted a transition analysis that highlighted the benefits of our municipal ladder solution compared with his existing portfolio.

RESULTS

We transitioned the investor's assets into a fully customized laddered bond portfolio.

Challenge

A former CEO came to us looking for a different way to manage his large portfolio of individual bonds. He had a \$7 million municipal bond portfolio in a brokerage account, which his longtime advisor managed. Both the investor and the advisor were concerned about the new demands of the municipal bond market and wanted a better way to manage the portfolio while investing \$4 to \$5 million in maturing certificates of deposit (CDs).

Could we provide a simple and effective method of managing the client's individual bonds?

Solution

The bond market at the time presented a host of challenges for managing a portfolio of individual bonds, including heightened concerns around credit risk and the potential for higher interest rates. Municipal bond investors working without professional advice also found it challenging to uncover value in a lower-rate environment with limited access to attractively priced bonds.

Being familiar with Parametric's established reputation in the muni market, the advisor recommended that the investor switch to a Parametric municipal bond ladder portfolio. This would allow the investor to benefit from our large and experienced credit research team, our institutional purchasing power and access to new issue, and the defensive nature of a laddered investment approach to protect against rising interest rates.

Transition the account



We provide you with a comprehensive transition analysis.

Design the exposure



Municipal ladder



Corporate ladder

Customize the portfolio



Choose from a wide range of credit qualities and state concentrations.

Ongoing client service



We provide continual access to the portfolio management team, rigorous credit oversight, and ladder management.

The investor and his advisor enjoyed a personal, consultative approach, working closely with a dedicated Parametric portfolio manager to design an optimized solution based on a number of factors, including the following:

- Current bond exposure
- Income needs
- Yield target
- Risk considerations: time horizon, liquidity needs, credit tolerance
- Federal and state taxes
- Best idea in the municipal bond market

We showed the investor the benefits of customization and professional management.

After conducting a transition analysis for the investor, our team of investment, operations, and sales professionals met with him and his advisor to review the process of moving his individual bonds into a Parametric municipal ladders portfolio.

Results

The advisor transferred \$7 million of his client's individual bond investments into a 1- to 14-year Parametric TABS Municipal Ladders portfolio of national BBB-rated bonds. He also invested the \$4 to \$5 million from the client's maturing CDs into the portfolio, as well as a lump sum of cash the client had recently received.

The investor receives ongoing service from Parametric's fixed income team.

The portfolio implemented was carefully customized to help the client meet his unique objectives, take advantage of current opportunities in the market, and potentially enjoy a more advantageous experience in a rising-rate environment.

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