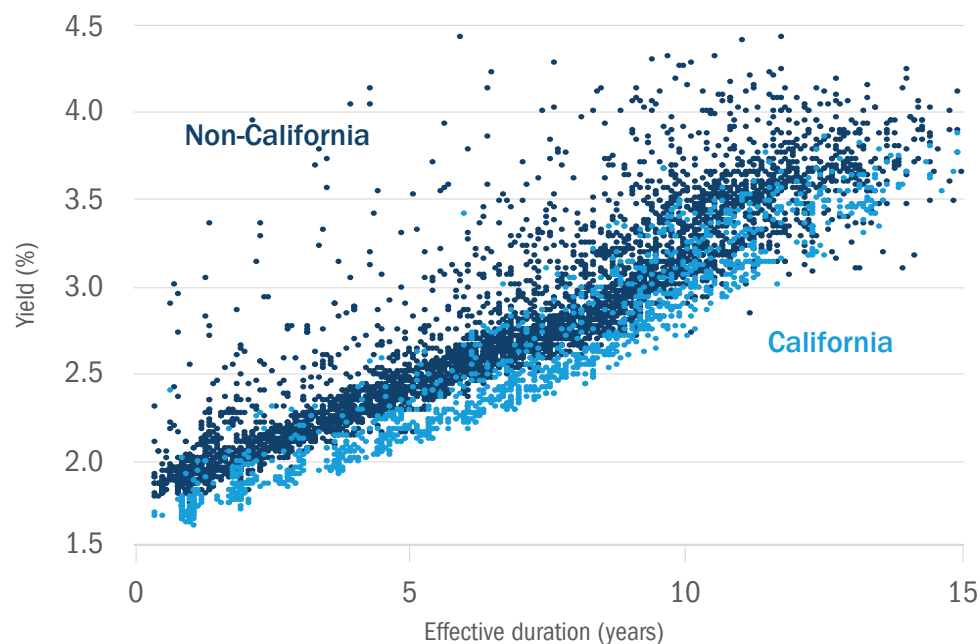




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## Latest Insights | Municipal Bonds

### ▶ A large issuer that yields less: California bonds highlight a flaw in muni bond benchmarks



Source: Bloomberg Barclays Municipal Bond Index Aa2 as of 05/18.

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**Municipal bond benchmarks are flawed.** They're debt-weighted, which means the largest index constituents represent the biggest issuers of debt, not the most profitable opportunities. Unfortunately, many municipal bond ETFs try to replicate benchmarks with this flawed methodology, limiting income and return potential.

**California's bonds are an example of a flawed benchmark approach.** California is a big state and large issuer of bonds that make up a significant portion of national municipal bond indices. However, they yield less than non-California bonds for any given level of duration. Benchmark-tracking ETFs have a high exposure to California and are missing opportunities for yield.