## Barron's Article Response (6/2/2017)

Over the long weekend, I have had multiple requests to provide my thoughts on an article published by Barron's titled, "A Smart Strategy for Municipal Bond Investors". While articles touting bond laddered strategies are quite common, there were a few parts that struck me as odd.

Specifically, the following quote from the article:

*"Eaton Vance TABS 5-to-15-Year ranked in the top 1% of funds in its category over the past three and five years, with total annualized returns of about 5%, according to Morningstar. That's about two percentage points better than the return on the largest muni mutual fund, the $52 billion Vanguard Intermediate-Term Tax-Exempt (VWIUX). The Eaton Vance fund yields 2.1%."* Andrew Bary (2017, May 27) A Smart Strategy for Municipal Bond Investors. Retrieved from http://www.barrons.com/articles/a-smart-strategy-for-municipal-bond-investors-1495858734

While the article above highlights Eaton Vance's longer term investment track record, the fund was actually being managed as the "Eaton Vance Tax-Advantaged Bond Strategies Long Term Fund" since its claimed inception date of 2/01/2010 through 4/15/15 . This is the strategy responsible for generating the returns prior to its name change. Said differently, the vast majority of this fund's track record was realized while it was being managed as a "long-term" municipal bond fund, not as an intermediate duration "laddered" portfolio. This significantly longer duration/maturity positioning was the primary source of the higher returns that occurred prior to 4/15/15.

Our findings can be verified by viewing the disclosure at the bottom of the fact sheet for Eaton Vance TABS 5-to-15 Year Laddered Municipal Bond Fund dated "Q1 2017": "*Prior to 4/15/15, the Fund was called Eaton Vance Tax-Advantaged Bond Strategies Long Term Fund, had a different objective and employed a different investment strategy. Please see prospectus for more details…"*

What's important to remember when reviewing fixed income strategies is that investment performance is a byproduct of quantifiable components such as interest rate sensitivity (duration), yield, etc. Similarly, it is always important to keep in mind that there is no such thing as a "free lunch". If a municipal strategy offers higher levels of return, an investor needs to ask themselves what is generating those investment results. Often, investors are not properly compensated for the higher levels of risk being taken in their portfolios to generate these higher relative returns.