

# EAGLE HIGH QUALITY TAX-FREE

First Quarter | 2023

**EAGLE** | Asset  
Management

Not FDIC Insured

May Lose Value

No Bank Guarantee

# EAGLE HIGH QUALITY TAX-FREE

The Eagle High Quality Tax-Free Fixed Income portfolio relies on the expertise of a professional, experienced fixed-income team to seek tax-optimized benefits and stable income for high-net-worth clients. With a combined 100-plus years of experience, the portfolio managers and analysts provide a wealth of bond expertise and have a track record of successfully managing fixed income through all market environments.

## FEATURES

Portfolios take into account a client's current and future income needs, risk tolerance and tax circumstance, including state of residence, with a focus on maximizing the client's after-tax total returns on a risk-adjusted basis

Municipal bonds with interest income that is exempt from federal income tax

Normal cash level: 10 percent or less

Diversification through sectors, credit ratings and bond structures

## INVESTMENT PROCESS<sup>1</sup>

The Eagle Fixed Income team utilizes an active approach with long-term emphasis.

## CLIENT ASSESSMENT

Establish client risk profile

Assess client's income needs and tax issues, including federal tax bracket, state of residence and exposure to the Alternative Minimum Tax (AMT)

## MARKET EVALUATION

Analyze macro-economic environment, supply and demand factors, credit conditions and interest-rate patterns

Focused on discovering potential opportunities that are not yet recognized by the market

## PORTFOLIO CONSTRUCTION

Screen new issues and secondary offerings from varied sources

Examine the detailed characteristics of each offering

Purchase most attractive bonds to build customized client portfolio

## REVIEW AND ADJUST

Periodically review portfolio, assessing interest-rate, credit and market risk

Monitor portfolio diversification

Monitor performance compared to appropriate benchmark

Ongoing communication with client to discuss strategy and address any change in client circumstances

## SELL DISCIPLINE

A bond no longer meets current portfolio maturity profile

Credit quality has a significant negative change

Other sectors become relatively more attractive

Capital gains can be taken without compromising long-term income returns

A bond is called

## PORTFOLIO CHARACTERISTICS

Average Duration <sup>†</sup> (years)	4.81
Average Maturity (years)	7.24
Average Coupon	4.78%
Current Yield	4.27%
Yield To Worst	2.50%
Tax Equivalent Yield*	4.22%

## SECTOR DIVERSIFICATION

Treasuries	0%
Agencies	0%
Mortgages/ Asset-backed Securities	0%
Corporates	0%
Commercial Mortgage-backed Securities	0%
Municipals	97%
General Obligations	34%
Revenue Bonds	63%
Pre-Refunded	0%
Cash	3%

## PORTFOLIO MANAGEMENT TEAM:

James Camp, CFA

Joseph Jackson, CFA

**PERFORMANCE<sup>2</sup>** as of March 31, 2023

		First Quarter	Year to Date	One Year	Three Years	Five Years	10 Years	15 Years	Since Inception (April 1, 1986)
Eagle High Quality Tax-Free	Gross	2.43%	2.43%	2.38%	0.57%	2.27%	2.15%	3.20%	4.62%
Eagle High Quality Tax-Free	Net	1.68%	1.68%	-0.64%	-2.41%	-0.75%	-0.87%	0.16%	1.55%
Bloomberg Seven-Year Municipal Index		2.30%	2.30%	2.01%	0.82%	2.19%	2.14%	3.42%	N/A*

**CALENDAR YEAR RETURNS<sup>2</sup>**

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Eagle High Quality Tax-Free	Gross	-5.16%	-0.03%	5.05%	6.90%	1.16%	4.38%	-0.08%	3.27%	5.53%	-1.16%
Eagle High Quality Tax-Free	Net	-8.02%	-3.00%	1.97%	3.79%	-1.83%	1.32%	-3.04%	0.23%	2.44%	-4.10%
Bloomberg Seven-Year Municipal Index		-5.97%	0.35%	5.10%	6.72%	1.65%	4.48%	-0.48%	3.27%	6.08%	-0.98%

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's portfolio, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current month-end performance information, please call your financial professional or visit eagleasset.com.

**TRAILING STANDARD DEVIATION** as of March 31, 2023

		One Year	Three Years	Five Years	10 Years	15 Years	Since Inception (April 1, 1986)
Eagle High Quality Tax-Free	Gross	6.10%	4.92%	4.08%	3.60%	3.69%	3.05%
Bloomberg Seven-Year Municipal Index		5.90%	5.21%	4.30%	3.70%	3.77%	N/A*

Source: Callan; standard deviation is not statistically relevant for periods less than three years

\* The Bloomberg Seven-Year Municipal Index inception on January 1, 1990.

\*\*Yields would be higher on a tax-equivalent basis for clients having municipals, based on their tax bracket and residence.

†Not every investment opportunity will meet all of the stringent investment criteria mentioned to the same degree. Trade-offs must be made, which is where experience and judgment play a key role. Accounts are invested at the discretion of the portfolio manager and may take up to 60 days to become fully invested.

## **²Performance Disclosures**

Income earned from investments in municipal bonds, while exempt from federal taxes, may be subject to state and local income taxes. All capital gains, as well as income earned from other sources, are subject to taxation. Income from municipal securities may also be subject to the Alternative Minimum Tax. Municipal securities typically provide a lower yield than comparably rated taxable investments in consideration of their tax-advantaged status. Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Please consult an income-tax professional to assess the impact of holding such securities on your tax liability.

Past performance does not guarantee or indicate future results. No inference should be drawn by present or prospective clients that managed accounts will achieve similar performance in the future. Investment in a portfolio, investment manager or security should not be based on past performance alone. Because accounts are individually managed, returns for separate accounts may be higher or lower than the average performance stated. Individual portfolio/performance results may vary due to market conditions, trading costs and certain other factors, which may be unique to each account. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Investing involves risk and you may incur a profit or a loss. Investment returns and principal value will fluctuate so that an investor's portfolio, when redeemed, may be worth more or less than their original cost. Diversification does not ensure a profit or guarantee against a loss.

All performance data is shown on a time-weighted and size-weighted basis and is shown before (gross) and after (net) the deduction of management fees, custodial fees and miscellaneous charges to client accounts; all performance is shown after transaction costs. The net returns reflect the application of the highest wrap fee of 3% annum. Calculations include reinvestment of all income and gains. Performance figures include all internal, retail High Quality Tax-Free accounts of Eagle Asset Management, a St. Petersburg, Florida-based firm. A client's return will be reduced by the advisory fees. Eagle's fees are set forth in Eagle's Form ADV, Part II. Over a period of five years, an advisory fee of 1 percent could reduce the total value of a client's portfolio by 5 percent or more. Current performance may be lower or higher than the performance information quoted. Eagle Asset Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Eagle Asset Management, Inc. has received a firm-wide verification for the periods January 1, 1982 through December 31, 2021. Performance data for 2022 and the current year may be revised, and Eagle will publish any revised performance data. Thus, the composite returns shown here may be revised and Eagle will publish any revised performance data. Eagle believes that the performance shown is reasonably representative of its management style and is sufficiently relevant for consideration by a potential or existing client.

## **Descriptions and Definitions**

The Bloomberg Seven Year Municipal Index is the seven-year component of the Municipal Bond Index. The Bloomberg Seven Year Municipal Bond Index is an unmanaged index comprised of investment-grade municipal bonds with maturities of six to eight years. The index is referred to for comparative purposes only and the composition of an index is different from the composition of the accounts included in the performance shown. Indices are unmanaged and one cannot invest directly in the index.

Duration - is a measure of the average life of a bond, weighting each repayment by the time until it will be made and reflecting the fact that money flows in the near future are more valuable than the same money flows at a later date. Duration indicates how changes in interest rates will affect the price of a bond (or bond portfolio). The longer the duration of a bond, the greater the extent to which its price is affected by interest rate changes. As such, duration is used as a measure of risk for bond portfolios.

Maturity - The date on which a loan or bond comes due and is to be paid off.

Yield-To-Worst - The lowest possible yield that can be received on a bond assuming no default. Yield-to-worst is calculated on all possible call dates and makes worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the issuer. The yield-to-worst will be the lowest of yield-to-maturity or yield-to-call (if the bond has prepayment provisions); yield-to-worst may be the same as yield-to-maturity, but never higher.

Standard Deviation is a measure of the dispersal or uncertainty in a random variable. For example, if a financial variable is highly volatile, it has a high Standard Deviation. Standard Deviation is frequently used as a measure of the volatility of a random financial variable.

†Modified adjusted duration is used for our municipal portfolios since the calculation takes into account call options which are so common in the municipal market.

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## **Risks Associated with Fixed Income Investing**

Historically, bonds have indeed provided less volatility and less risk of loss of capital than has equity investing. However, there are many factors which may affect the risk and return profile of a fixed-income portfolio. The two most prominent factors are interest-rate movements and the creditworthiness of the bond issuer. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. The risk of a change in the market value of the investment due to changes in interest rates is known as interest-rate risk. Interest-rate risk is subject to many variables but may be analyzed based on various data (e.g., effective duration). The risk that the issuer may default on interest and/or principal payments is often referred to as credit risk. Credit risk is typically measured by ratings issued by ratings agencies such as Moody's and Standard & Poor's. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond. Bonds issued by the U.S. Government have significantly less risk of default than those issued by corporations and municipalities. However, the overall return on Government bonds tends to be less than these other types of fixed-income securities. Finally, reinvestment risk is the possibility that the proceeds of a maturing investment must be invested in a lower yielding security, all other things held constant, due to changes in the interest-rate environment. Investors should pay careful attention to the types of fixed-income securities which comprise their portfolio, and remember that, as with all investments, there is the risk of the loss of capital. Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Municipal bond interest is not subject to federal income tax but may be subject to Alternative Minimum Tax (AMT), state or local taxes.

## **About Eagle Asset Management**

Eagle Asset Management, a boutique in the Raymond James Investment Management family, provides a broad array of fundamental equity and fixed-income strategies designed to meet the long-term goals of institutional and individual investors. Eagle's multiple independent investment teams have the autonomy to pursue investment decisions guided by their individual philosophies and strategies.

# LEARN MORE ABOUT THE EAGLE HIGH QUALITY TAX-FREE PORTFOLIO.

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