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Municipal Finance Law Since 1971

[Navigate the Nuanced Muni Market With This Active ETF.](#)

After the first rate cut of 2025 and the prospect of more rate cuts to come, the capital markets are now wondering at what pace the U.S. Federal Reserve will institute them. For fixed income investors looking for options that balance credit quality and yield, municipal bonds should be considered.

In recent years, short-term bond funds have been the go-to option for a balance of yield that also mitigates rate risk with rising rates and inflation. Fixed income investors accustomed to the elevated yields now may need to step further out on the yield curve to supplant income lost from falling rates.

Rather than step too far out on the yield curve, intermediate bonds offer a Goldilocks option to extract more yield, while still mitigating rate risk. Corporate bonds are another option for higher yields, but investors may not want to assume the associated higher credit risk. This is where municipal bonds with intermediate-term maturities can assist.

The municipal bond market is vast and nuanced, requiring a certain level of experience and expertise to navigate the space. Rather than construct a portfolio of individual munis, an easier approach is via ETFs, specifically the MFS Active Intermediate Muni Bond ETF (MFSM).

Per the fund's fact sheet, investors get a plethora of muni exposure across various industries, including student loan munis, general obligation bonds for financing local projects, and bonds supporting universities and colleges. Given this broad exposure, MFSM isn't lacking in variety. This helps avoid concentration risk by avoiding only sector-specific bonds. The fund mostly sticks to investment-grade (rated BBB or higher) by credit rating agencies, mitigating credit risk.

Furthermore, it highlights the benefits offered by the fund's actively managed strategy.

Active Benefits

As mentioned, active management offers benefits that passive/index funds don't. One of the prime benefits is the flexibility they can offer. That flexibility is imperative in times like now, where market uncertainty abounds.

The MFS investment team has an average industry experience of 21 years. MFSM taps into this industry knowledge and expertise when selecting muni options for consideration as part of the fund's holdings.

The fund's portfolio managers can adjust the holdings as necessary to suit market conditions, whatever they may be at the time. Again, that flexibility is almost a necessity in today's uncertainty. With MFSM, investors get that flexibility with just 34 basis points, or \$34 per every \$10,000 invested.

etftrends.com

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