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Municipal Finance Law Since 1971

[Municipal Bonds Favored by Many Advisors.](#)

Municipal bonds were a hot topic at last week's VettaFi Fixed Income Symposium — more than I expected them to be.

There were 491 live attendees at VettaFi's two-hour virtual event. You can catch the replay [here](#). VettaFi moderated panels with industry experts about interest rates, whether to and how to take on credit risk, the potential benefits of active management, and more. Advisor attendees benefited from hearing from leading asset managers. However, together we also learned a lot about what's important to the community.

What Do Advisors Think About Municipal Bonds?

For example, we asked, "Which fixed income approach is most attractive to you in the first half of 2025?" While 28% chose investment-grade corporate bonds, 25% selected municipal bonds. Munis were ahead of private credit, high yield corporates, and Treasuries. This was a pleasant surprise to me.

We also asked, "Which best reflects your expected plans for muni bond investing in 2025?" Adding to muni bonds via ETFs (30%) was the most popular choice for those planning to add exposure. Access to the municipal bond market directly as well as via mutual funds were less popular.

Which best reflects your expected plans for muni bond investing in 2025

ETFs and mutual funds provide diversification benefits for investors accessing the equity and bond markets. Mutual funds had long been the preferred vehicle for municipal bond investors. Indeed, while equity mutual funds continue to bleed assets, municipal bond mutual funds continue to gather net inflows in 2025, according to the Investment Company Institute. However, municipal bond ETFs are gaining ground too.

Understanding the Muni Bond ETF Landscape

The two largest municipal bond ETFs are the iShares National Muni Bond ETF (MUB) and the Vanguard Tax-Exempt Bond ETF (VTEB). Both funds are index-based and swelling in size. MUB manages \$40 billion in assets, aided by \$3.6 billion of net inflows in the past year. VTEB has \$36 billion in assets and gathered \$4.7 billion. MUB and VTEB own only investment-grade municipal bonds. There are many other established index-based ETFs with more than \$1 billion from Invesco, iShares, State Street Global Advisors, and others.

During the VettaFi Fixed Income Symposium, we highlighted a few actively managed municipal bond ETFs that launched in 2024. A few examples include the Goldman Sachs Municipal Income ETF (GMUB) and the MFS Active Intermediate Municipal Bond ETF (MFSM). GMUB and MFSM came to market in July 2024 and December 2024, respectively

Benefits of an Active Approach

One of the benefits of investing in actively managed municipal bonds ETFs is tapping into the in-house credit analysis. The teams behind GMUB and MFSM conduct their own research to

understand the likelihood of default by an issuer. In contrast, indexes tracked by MUB and VTEB leverage third-party credit rating agencies. GMUB recently had 17% of its assets in speculative-grade or nonrated securities. MFSM had 8.2% of its portfolio outside of investment-grade bonds.

Advisors looking to gain municipal bond exposure via ETFs should be happy. There are now several dozen municipal bond ETFs to consider including active products from Alliance Bernstein, Avantis, Dimensional Funds, Pimco, T. Rowe Price, and even Vanguard.

etftrends.com

by Todd Rosenbluth

February 10, 2025

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