

THE BOND BUYER

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Investortools and Kalotay Provide After-Tax Muni Analytics

by: [James Ramage](#)

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Investortools is giving its municipal bond portfolio-manager clients a more accurate gauge to find prices as interest rates change.

The provider of fixed income portfolio management and credit analysis tools said it joined with Kalotay Analytics to offer customers after-tax muni bond analytics on its Perform software.

The additional analytics tools show Perform clients how taxes affect muni price moves. As interest rates rise, the gains of bondholders who purchased munis at discounted prices are taxed as ordinary income. Kalotay Analytics accounts for this, said Dan Garrett, CFA and vice president of Investortools.

“This is an option model that takes into account all prices,” he said. “It’s an iterative calculation that comes up with, ‘what would be the price I need in order to compensate me for the tax liability, because I’m buying this cheap?’”

When prices fall below par, or [into de minimis range](#), and muni bondholders see capital gains, the analytics discount the price enough in calculations to make up for the taxes muni bondholders would have to pay, Garrett said.

Investortools had been in talks with Kalotay Analytics for some time, Garrett said. Investortools timed the release last week of the Kalotay product features through system updates to dovetail roughly with the market’s anticipated rise in interest rates from historic lows.

“This seemed like a very timely event for us to plan to do something with Kalotay that would take into account after-tax duration and after-tax option calculations,” he said. “He seemed to have the right approach and we had the audience.”

Investortools, Inc., based in Yorkville, Ill., calls more than 250 financial institutions clients. Buy-side firms, including Fidelity and Vanguard, represent most of them.

Kalotay Analytics, a division of New York-based Andrew Kalotay Associates, provides high-speed, high-precision fixed-income analytics. This includes its patent-pending after-tax muni bond analytics.

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