



Consider An Interval Fund As The Place For Your Muni Bond Holdings

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Chuck Jaffe, in this episode of The NAVigator podcast interviewed Parth Doshi, vice president of closed-end funds at Nuveen. Read the Q & A below as Parth discusses the firm's new interval fund – Nuveen Enhanced High Yield Municipal Bond Fund – and how it compares to other closed-end funds. Muni bonds are a new area for the interval fund structure – the Nuveen offering is just the second muni interval fund – and Doshi discusses why investors might favor



one structure over the other, or how both could be used in a diversified portfolio.

Parth Doshi

The podcast can be found on AICA's website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

CHUCK JAFFE: Parth Doshi of Nuveen is here and we're talking about whether you want to hold your muni bonds in an interval fund or a classic closed-end fund, this is The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, a unique industry organization that represents all facets of the closed-end fund industry. From users and investors to fund sponsors and creators, if you're looking for excellence beyond indexing, The NAVigator's

going to point you in the right direction. And today it's pointing us in the direction of muni bonds and fund structures. We're having that conversation with Parth Doshi, vice president of closed-end funds for Nuveen. And if you want to learn more about the firm and its closed-end and interval fund options go to Nuveen.com/CEF. To learn more about interval funds and closed-end funds generally go to AICAlliance.org, the website for the Active Investment Company Alliance. Parth Doshi, thanks for joining me on The NAVigator.

PARTH DOSHI: Yeah, of course. Thanks for having me, Chuck.

CHUCK JAFFE: Nuveen recently created its first muni bond interval fund. And while we talk interval funds here on The NAVigator, we haven't talked a lot about them from the muni bond perspective because I believe the Nuveen version is only the second interval fund that focuses on munis. There are distinct advantages of interval fund structure versus classic closed-end fund structure, you guys invest in muni bonds in both. So help us understand why somebody might want to consider the new Nuveen Enhanced High Yield Municipal Bond Fund, that's ticker symbol NMSSX if you're following along at home, versus the classic closed-end muni fund?

PARTH DOSHI: Yeah, so our municipal interval fund, the Nuveen Enhanced High Yield Municipal Bond Fund, you can buy and sell shares at NAV. Obviously it's a purchase that happens at NAV, we offer quarterly repurchase offers. So there's no guaranteed liquidity, but there are quarterly repurchases that would also occur at NAV. In contrast, our listed closed-end funds trade based on supply and demand in the secondary market, and the market price oftentimes diverges from the NAV. So there's maybe a different way of transacting these funds, and certain investors may have a preference for one or the other.

CHUCK JAFFE: Let's talk a little bit about what would help develop that preference. Because for a lot of people what they're looking for in closed-end funds is, "Give me the discount." They may not love the idea of no discount, which is the case as you pointed out, they trade at NAV, and then that you're locked in a little bit. So let's talk about the tradeoffs, the benefits of the interval structure versus the benefits of the closed-end fund structure. What are you trading for and does it really depend on market conditions? In these times where we're talking about rates going up, and inflation, and whatever, is one structure more friendly to investors than the other in these times?

PARTH DOSHI: For our interval fund we've targeted the high-yield municipal bond market. We think that the fund is designed for investors that have a higher tolerance for risk and are looking for that exposure to those high-yield bonds. In particular what we find attractive about this wrapper is that it allows us to invest countercyclically, so when the high-yield municipals sell off, typically we've seen a swift recovery. And a vehicle that is not subject to inflows and outflows the same way other wrappers that are not closed-end funds are subject to, we think we'll have an opportunity to be buyers when other investors or other wrappers are sellers. In the listed closed-end fund market we do have a couple of high-yield focused funds, that's NMCO and NMZ. Both of those funds have similar investment styles, objectives, and managers, but because they are not continuously accepting new capital we would have to reposition the portfolio when there is a down market to invest countercyclically. Additionally the listed closed-end fund market is very yield oriented, and so those funds are designed to pay out high levels of income. In our interval fund we're looking at delivering high levels of income but also trying to take advantage of dislocations and additional capital appreciation opportunities.

CHUCK JAFFE: Typically interval funds involve less leverage than closed-end funds. But I'm curious, is there any other reason why the interval fund space up until now really hasn't embraced muni bonds?

PARTH DOSHI: I think over the last five to 10 years we've seen new growth in the interval fund market. We're seeing traditional asset managers such as Nuveen move into this market where we can attract higher net worth clients that are looking for alternatives in their portfolio. And we think in this particular wrapper we're able to deliver differentiated exposure to municipal bonds by focusing on high-yield investments and more kind of distressed situations in municipal bonds to a much lesser extent.

CHUCK JAFFE: When I hear you talk about it being differentiated, what that also means is that the new fund can play nicely with the old funds or the established and traditional closed-end funds in the same portfolio. That functionally, although we're kind of comparing them as if they're an either or, they're really an and/or, right?

PARTH DOSHI: Yeah, certainly. One other point of differentiation that may be worth noting is because our closed-end funds trade in the secondary market, depending on what size you're looking to move in, there may be an impact to the secondary market price. Whereas

in an interval fund you're transacting everything at NAV. So there may also be different reasons to pick one wrapper over the other based on the size of your investment or what your longer term objectives are. If you need liquidity, listed closed-end funds, they offer that to you more readily than the interval funds.

CHUCK JAFFE: Yeah, and as you also pointed out, the benefit of not having the liquidity is you can maybe go out a little further on the risk scale. You're not running the chance that, oh, we're going to face redemptions and have other problems, because that's one of those classic benefits of interval funds. I would be remiss if I had you in for a discussion and I didn't get your take on muni bonds. I mean, here you are, you guys are coming out with a new product, but anybody who's ever done anything with the product development cycle of any type of mutual fund knows it's not exactly like I said, "Hey, here's an opportunity, I'll have the new fund out tomorrow." It takes a while. The market has been changing, inflation is rearing its ugly head, interest rates are potentially on the rise. What's going on with munis in terms of how they're going to be able to weather these storms?

PARTH DOSHI: We design our products for long-term investors. We think municipal bonds have attractive diversification properties versus other asset classes. And ultimately both our listed fund and our interval fund are designed to deliver tax-exempt income to investors. So while I wouldn't necessarily have a point of view on this being a great entry point versus a different time in the market, we do think high-yield municipal bonds have an attractive role in investor portfolios.

CHUCK JAFFE: Parth, thanks so much for joining me on The NAVigator to talk about it.

PARTH DOSHI: Yeah, absolutely. Thanks Chuck.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe. That's me, and you can learn all about my show on your favorite podcast app or by going to MoneyLifeShow.com. To learn more about interval funds, closed-end funds, and business-development companies go to AICAlliance.org, the website for the Active Investment Company Alliance. They're on Facebook and LinkedIn @AICAlliance. Thanks to my guest, Parth Doshi, vice president in charge of closed-end funds for Nuveen. If you want to learn more about the firm and its closed-end and interval fund options go to Nuveen.com/CEF. They're on Twitter too @NuveenINV. The NAVigator podcast

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