



Nuveen's Lamb Says That Muni Bonds, Despite Rebound, Remain A Good Value

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Chuck Jaffe, in The NAVigator podcast, interviewed Dave Lamb, head of closed-end funds for Nuveen. Read the Q & A below as Dave says that while municipal bonds have rebounded sharply,



they haven't quite kept pace with investment-grade issues or recovered to pre-pandemic levels, creating an opportunity for investors. He notes that closed-end fund investors can find bargains and don't have to worry much about being disappointed when they can buy issues at wider discounts the way they can now.

Dave Lamb

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

CHUCK JAFFE: We're talking municipal bonds in these unusual times with Dave Lamb, head of closed-end funds for Nuveen, now on 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. Joining me today, Dave Lamb, the head of closed-end funds at Nuveen. One of the larger closed-end fund sponsors, particularly in the space we're going to be talking about, municipal bonds. And if you want to learn more, well it's Nuveen.com/closed-end-funds. If you want to learn more about investing in closed-end funds in general, check out AICAlliance.org, that's the

website for the Active Investment Company Alliance. Dave Lamb, thank you for joining me on The NAVigator.

DAVE LAMB: Hi Chuck, thanks for having me.

CHUCK JAFFE: I want to start talking generally about the municipal bond space, because one of the things that has not been discussed widely in the pandemic is just the state of munis. If you have municipalities that say aren't getting tax revenues from tourists, and travel taxes, and just the general sales taxes and other things that they might be charging because activity in the economy is down, at least theoretically you should have municipalities that might be headed for trouble. So give us a very quick overview of munis in this market space.

DAVE LAMB: Well, it's been an interesting year for municipals certainly coming out of the market dislocation in March. We have seen a good rebound in valuations of munis, certainly the things you highlight around tax receipts and revenues certainly have increased the focus on municipals. But generally we've seen a strengthening of the overall municipal market coming out of that third week of March where we saw fairly significant drawdown. I would say certainly on the investment-grade side of munis we've seen the market values rebound dramatically. I would say though on the high-yield side of the equation, the rebound has been positive but not to the same extent as investment-grade munis.

CHUCK JAFFE: The closed-end space of course suffered significantly from the market dislocation in March, and it has recovered sharply but right now it still seems to be bargain priced. With other investment types people worry about, "Ooh, am I getting a value trap?" Should investors be worrying about that when it comes to closed-end muni funds? Look at how broad these discounts are, how much they're still down even though they've recovered sharply. Is there any worry about that kind of, "Wait. I'm stepping in it," with closed-end muni funds?

DAVE LAMB: People that are looking for value and looking for a certain outcome from their closed-end fund, which is generally a high-level of current income or cashflow, I think buying closed-end funds at a wider discount obviously enhances that cashflow to them. At the beginning of the year we were seeing the pricing levels tighten up really across most asset classes, and as you mentioned Chuck, the dislocation that we saw in the third week of March into April certainly provided some extreme discount levels. We have over time seen a broad tightening of those discounts, but we still see some value out there. So anyone that's looking

for closed-end funds to help fund their cashflow needs, whether it's in retirement or for other income replacement needs, there still seems to be some very good value in closed-end funds, and in particular some asset classes that are still at little wider discounts.

CHUCK JAFFE: Such as?

DAVE LAMB: I would say that there are still some value in certain areas of the municipal space. I would say mostly your investment-grade funds have come back to levels pre-market dislocation, but there's certain areas of municipals. High-yield still seems to have fairly wide discounts, credit spreads are still wide. There's certain states too, if you're a resident of certain states and you want state tax exemption, I think you can find some good value in state municipals in particular. Also there are some equity based funds, while equities have dramatically re bounded, there are certain segments of equities that have call overwrites that have some wider discounts. In particular, if you think you've seen a very strong in equities and you want to continue to have equity exposure but with a measure of downside risk from the call overwrites, I think there are some values to be found in covered call. funds.

CHUCK JAFFE: One of the things that closed-end fund investors at times can be nervous about is leverage. We've had experts on The NAVigator saying, "Before you're buying closed-end funds, take a look at how they use leverage." But during this time where short-term interest rates are at historic lows, leveraged funds have gotten a boost because borrowing costs are so low. Does that change or should that change the way investors consider leverage within muni closed-end funds?

DAVE LAMB: You are right, we are at historical lows in short-term interest rates, and indication that we're going to be low for a long period of time. Those low borrowing costs have created a more steep yield curve for example. Even though the long end has come down, the short end has come down a lot more, so what we're seeing is that leverage has incrementally added earnings to many funds. And I'll go back to leveraged munis, we have seen several funds and several sponsors increase distributions more recently. So again, if you're looking for closed-end funds for attractive levels of cashflow, we have seen a firming of earnings and seen dividend increases for many funds.

CHUCK JAFFE: Last question. At Nuveen you recently opened the Nuveen Dynamic Municipal Opportunities Fund, ticker symbol NDMO. So explain, new fund in these market times, there haven't been a lot of new funds created in pandemic mode, and here this one,

pretty successful initial offering, about \$800 million give or take. So why this fund now and how was the process, if at all, different with a new fund going IPO during these times?

DAVE LAMB: We did bring an IPO in August for August business, and it was roughly around \$800 million in assets raised, which we found to be very successful, it is ticker NDMO. Certainly the environment to raise assets was different. Usually during an IPO, whether it's our fund or any fund sponsor's fund, it is about getting into the advisors offices and talking about the new deal. So the virtual environment that we faced was unique, that provided interest dynamics of having webinars and conference call virtually through various platforms of Zoom or Webex or Microsoft Teams, whatever, it changed the dynamic of raising assets through an IPO. I will say the IPO market has been picking up for closed-end funds since really the beginning of 2019. We did take a pause in industry, March, April, May, but now it seems the primary market is back, investors still need reliable sources of income and cashflow and closed-end funds can provide that. So we were pleased with our raise-up and we think the primary market is still poised to continue its trend of raising capital for the benefit of investors seeking higher levels of income.

CHUCK JAFFE: Dave, really interesting perspective, thanks so much for joining me on The NAVigator.

DAVE LAMB: Thank you for having me, Chuck. It's been my pleasure.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe. I am Chuck Jaffe, please check out my show on your favorite podcast app or at MoneyLifeShow.com. To learn more about closed-end funds, interval funds, and business-development companies go to AICAlliance.org, the website for the Active Investment Company Alliance. On Facebook and LinkedIn @AICAlliance. Thanks to my guest, Dave Lamb, the head of closed-end funds at Nuveen. Learn more about him and the firm and its offerings at Nuveen.com/closed-end-funds. The NAVigator podcast is available every Friday, please subscribe on your favorite podcast app and join us again next week. Until then, stay safe everybody.

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