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New ETF Looks to Profit from Municipal Bonds.

A new ETF is trying to capture profits in the municipal funds space.

BondBloxx's Joanna Gallegos is behind the IR+M Tax-Aware Short Duration ETF (TAXX) — which launched less than a month ago.

"When you think about municipal bond portfolios, you really want people to think beyond them and look for the relative value of after-tax income," the firm's co-founder and COO told CNBC's "ETF Edge" on Monday.

Gallegos sees actively managed municipal bond exchange-traded funds as an income-generating opportunity in a high rate environment. She expects healthy returns even if the Federal Reserve starts to cut interest rates this year.

According to the BondBloxx website, almost 62% of TAXX's holdings are in municipal bonds. Its five largest muni holdings by state as of Thursday were Illinois, Pennsylvania, New Jersey, New York and Alabama.

The ETF also includes exposure to corporate and securitized bonds. The firm states the fund's mixed-bond approach presents a "wider opportunity" to increase after-tax total returns. FactSet describes the fund as "tax efficient" — balancing strong after-tax income opportunities with capital preserved through both municipal and taxable short-duration fixed income securities.

"Right now, the portfolio's tax-equivalent yield is close to 6%. It's about 5.88 as you look at it," Gallegos said. "It's just the year to be thinking about taxes."

As of Friday, TAXX is down 0.2% since its March 14 launch date.

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