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After Muni Bond Fund Blows Up, Broker-Dealers Osaic and Stifel Nicolaus Face Questions.

Plaintiff's lawyers are eying both broker-dealers for potential client complaints.

A small municipal bond fund, the [Easterly ROCMuni High Income Municipal Bond Fund](#) (ticker: RMHIX) hit the skids in June, losing close to half its value and now with a net asset value (NAV) of \$2.95 per share.

Plaintiff attorneys who work with clients seeking damages from broker-dealers in such cases have [pointed to two firms](#), Osaic Wealth and Stifel Nicolaus & Co., as potential targets of investor lawsuits.

Jake Zamansky, a plaintiff's attorney based in New York, said on Thursday morning he has one client who worked with an Osaic financial advisor on Long Island and invested in the Easterly Fund.

"The Easterly Fund was a speculative high risk "junk bond" fund that should never have been recommended to retail clients," Zamansky said. "Many of the bonds in the fund lacked a liquid market. And when the fund collapsed, investors were left holding the bag."

An Osaic Wealth financial advisor recommended that one customer, an 84-year-old widow, invest in the fund in May, days before it lost half its value, according to Zamansky. So far, that client has allegedly lost 35% of her savings.

Meanwhile, a Thursday morning press release from law firm Shepherd Smith Edwards & Kantas said the firm was looking to speak with Stifel clients in Kentucky who were sold the fund.

"The Easterly Fund was marketed as a municipal bond that purportedly invests at least 80% of its net assets in tax exempt debt securities," according to the press release. "While most municipal bond funds are relatively safe, the Easterly Fund was quite different and very risky.

"For example, most of its securities are poorly rated, below investment grade bonds commonly referred to as 'junk bonds,'" according to the press release. "Moreover, the majority of the bonds in the Easterly Fund were not backed by any municipality, like a state or local government, but rather they were bonds issued by small companies for often speculative projects."

According to Morningstar.com, the Easter Fund's I or Institutional share class has \$15.1 million in total assets.

And according to the Easterly Fund homepage, the fund had an MAV as of the close of trading on Wednesday of \$2.95. For the year, the fund's performance is down 56.3%. Most of the fund's sharp decline occurred over a few days in the middle of June.

A spokesperson for Easterly Asset Management declined to comment.

According to its website, Easterly Asset Management at the end of last year, along with its partners, managed more than \$60 billion in a variety of strategies.

A spokesperson from Osaic did not immediately return a call Thursday afternoon to comment.

“Stifel shares investors’ concerns about the recent performance and management of the fund,” a Stifel spokesperson said. “Despite our formal request to Easterly for detailed information about how its management of the fund led to investor losses, we have yet to receive any reply.”

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by Bruce Kelly

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