

# Bond Case Briefs

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## Columbia Threadneedle Investments Launches Strategic Beta Municipal Bonds ETF.

***Columbia Threadneedle has expanded its strategic beta exchange-traded fund (ETF) offering with the launch of Columbia Multi-Sector Municipal Income ETF (MUST).***

MUST tracks the Beta Advantage Multi-Sector Municipal Bond Index, which has exposure to five sectors of the municipal bond market using a rules-based approach to bond selection. Columbia Threadneedle drew upon its expertise as an experienced active investment manager of municipal bond portfolios to create the strategic beta rules that are the foundation for the construction of the index. MUST's custom index was designed by Columbia Threadneedle's municipal fixed-income team and is administered by Bloomberg Index Services Limited.

MUST is intended to serve as a core municipal bond allocation in investors' portfolios but can also complement traditional core holdings to deliver higher tax-exempt income and risk-adjusted return potential than traditional benchmark products.

"Today's municipal market is comprised of nearly USD4 trillion in assets spread out among more than one million debt offerings from 80,000 issuers," says Catherine Stienstra, who oversees more than USD18 billion in assets as head of municipal bond investments at Columbia Threadneedle Investments and serves as Lead Portfolio Manager of MUST. "In the muni space, buying individual bonds or purchasing a debt-weighted benchmarked product doesn't give investors the diversification they need, nor the ability to manage credit risk transparently and efficiently. We created MUST with the goal of simplifying investors' municipal bond exposure without compromising their investment objectives."

Many of the standard municipal bond benchmarks in the market today were designed by index providers to measure limited areas of the market. As a result, they adhere to narrowly defined parameters that deliver distinct characteristics rather than desirable investment outcomes. Also, traditional benchmarks can distort the true investment opportunity set by favouring larger state general obligation bond issuers at the expense of revenue-backed bonds, since their constituents are typically weighted based on indebtedness.

"Even though most investors' current exposure to municipals is through actively managed portfolios or individual bonds, we've seen a growing interest in passive products in the municipal space," says Marc Zeitoun, CFA, head of strategic beta at Columbia Threadneedle Investments. "Given the limitations of existing municipal bond benchmarks, we opted to draw upon our expertise in managing active municipal bond portfolios to build an innovative, strategic beta fund that leverages our best thinking, but in a cost-effective, risk-managed way."

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