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Nuveen's Junk Muni Fund Received \$1 Billion Lifeline From TIAA.

- **TIAA, Nuveen's parent, bought shares as investors yanked funds**
- **Investment provided cash as funds were hit by forced selling**

In March, when investors were pulling record amounts of cash out of municipal bond funds as the coronavirus shut down much of the U.S., Nuveen's parent, TIAA, extended a lifeline to the high-yield fund run by investment star John Miller.

With the withdrawals triggering rounds of forced selling that drove bond prices into virtual free fall, TIAA stepped up and purchased \$1.1 billion worth of shares in the Nuveen fund, the largest focused on the riskiest debt sold through state and local government agencies, according to a regulatory filing.

TIAA, with \$1.1 trillion of assets under management, purchased \$350 million worth of the fund's shares on March 19 and another \$750 million on March 26, according to the filing.

The purchases provided a crucial source of money as investors yanked about \$3.7 billion from Nuveen's high-yield fund in March, according to Refinitiv Lipper US Fund Flows data. The mass exodus from the market forced managers to dump securities to raise cash, triggering a vicious cycle of selling that sent prices tumbling by the most in at least four decades.

TIAA bought the shares "to provide the Fund with additional cash to meet redemptions and to reduce the Fund's borrowings, and to provide TIAA itself with an attractive investment with a desirable risk profile," the filing said.

The rout put considerable pressure on mutual funds like Nuveen's, some of which used borrowed money to enhance returns. In March, Nuveen's high-yield muni fund unwound \$410 million of tender-option bond trusts, reducing leverage that magnified the fund's losses during the sell-off.

The investment by TIAA was well timed, coming just before the economic stimulus package enacted by Congress put an end to the panic racing through Wall Street. The prices of even the riskiest municipal bonds have since rebounded, paring most of March's losses, and investors have been sending cash back to mutual funds, including Miller's.

The Nuveen high-yield fund's shares, which fell to as low as \$14.63 on March 23, rebounded to \$16.91 by Wednesday, according to data compiled by Bloomberg.

TIAA is known for providing retirement services and insurance to teachers. The company has no publicly traded stock.

TIAA has sold the shares and made a profit on the investment, said Jessica Greaney, a Nuveen spokesperson.

“The purchases were made by the TIAA General Account in March, reflecting the general account’s recognition that the municipal market had been dislocated from fundamentals and that Nuveen’s market expertise would create value,” she said in a statement. “Indeed the general account has since redeemed and realized a very attractive return on the investment.”

Bloomberg Markets

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July 9, 2020, 5:56 AM PDT

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