

Bond Case Briefs

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St. Paul Investment Firm Unveils MINN: Municipal Bond Funds Day-Traded Like Stocks.

Want to own a share of a local road or government building in Minnesota? There's a day trade for that.

Mairs and Power, an employee-owned investment advisory firm that has been based in downtown St. Paul since 1931, is marketing a new way for everyday investors to capitalize on public projects in Minnesota. For the first time, investors can buy into tax-exempt, Minnesota-based municipal bonds through its Minnesota Municipal Bond ETF (or "exchange traded fund"); the bonds are pooled like securities in a mutual funds but shares are traded throughout the day like stocks.

Mairs and Power says it is the first exchange-traded fund in the country invested primarily in Minnesota-based municipal bonds. It carries the ticker MINN and will be traded on the Chicago Board Options Exchange. MINN, which goes on the market Friday, can be purchased through an online broker or financial adviser.

The starting price for the ETF — which operates like stock — is \$25. "You'll have to buy at least one share, so theoretically the minimum will be \$25," said Brent Miller, MINN portfolio manager for Mairs and Power. "It democratizes the space a little bit more by bringing the expense ratio down. We'll be the cheapest widely-available fund in this space, and we'll have a low minimum entry point. If you look at most of the municipal mutual funds, the minimum entry can be in the thousands of dollars."

MINN dividends, which are to be paid monthly, will be exempt from both federal and state taxes.

"We believe this ETF presents a distinct opportunity for investors, particularly Minnesota residents, who are looking to add fixed income to their portfolios," said Mairs and Power CEO Mark Henneman, in a written statement. "Unlike most ETFs, our fund is actively managed. This means we are constantly evaluating and making decisions about the securities in the portfolio."

Municipal bonds — whether general obligation bonds or revenue bonds backed by fees-for-service — are issued by state, city, county and other government entities to finance capital projects, from new roads and bridges to parking ramps, utilities and school buildings. Experts call municipal bonds historically among the lowest-risk securities, though lower risk sometimes means lower gain. The nation's 39 major municipal bond ETFs have under-performed the stock market for the past year.

"It's a steadier product," Miller said. "It's designed to produce income for people who want a more stable portion of their portfolio."

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