

Product Development

TIAA rebrands, adds defined duration to muni strategy

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TIAA plans to tweak its \$263.1m municipal bond fund to emphasize a defined duration strategy, according to a filing with the **Securities and Exchange Commission** on July 2.

The firm will change the name of the TIAA-CREF Tax-Exempt Bond Fund (TIXRX) to the TIAA-CREF 5-15 Year Laddered Tax-Exempt Bond Fund, effective August 1. The new strategy will only invest in tax-exempt bonds with a final maturity between five and 15 years, the filing indicates. The fund did not previously limit its investing universe to a fixed duration, the prospectus indicates.

In this interest rate environment, owning bonds longer than 15 years could be detrimental because interest rates are going up,” **Chuck Self**, chief investment officer at **iSectors**, explained.

“The fund is sending a signal to investors that they’re going to keep maturities in the intermediate range, that risk is going to be managed, and that there’ll be no investments in long bonds that could drop precipitously,” he said.

Teachers Advisers, a subsidiary of TIAA, is the investment adviser. **Joel Levy** manages the fund. The firm is not planning to make changes to the fund’s management team or investment adviser, according to the filing. A spokeswoman for TIAA did not respond to a request for comment by press time.

The strategy had \$413m at its peak in April 2013; it currently has \$263.1m, according to **Morningstar**.

The alteration is more a marketing effort than a response to **Federal Reserve** action, since rate hikes aren’t a surprise to investors, **Jeff Tjornehoj**, director of fund insights at **Broadridge Financial Solutions**, contends.

Specifically, advertising the fund as a laddered portfolio could help boost its appeal with municipal bond investors, since it resembles the laddered structure these investors typically use, he explained. The municipal bond market also tends to have a retail clientele, which TIAA could be looking to tap into, according to Tjornehoj.

“TIAA’s fund has had fairly persistent outflows for the past few years, so it seems like they hope to inject a little life into the fund with this change,” Tjornehoj explained.