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Nuveen's Closed-End Muni Fund Mergers Near Completion

By Amey Stone

It's taken a while, but **Nuveen Asset Management's** efforts to merge a bunch of its national closed-end municipal bond funds into two large funds is nearing completion.

The consolidation, which involves eight funds, was [approved by fund boards](#) last August. The [first shareholder vote was last November](#), but it took until [early March](#), before both sets of mergers were approved by the required number of shareholders.

In late March, Nuveen announced the dates the merging funds would be [making their final distributions](#) in early April and early May before being consolidated.

Jim Robinson, portfolio manager of the **Robinson Tax Advantaged Income (ROBAX)**, a mutual fund made up of closed-end muni funds, is a fan of the two remaining Nuveen funds. They should benefit from better trading efficiency, scale and the current discounts should narrow over time, he says.

Nuveen Dividend Advantage Municipal Income Fund (NVG) and **Nuveen Dividend Advantage Municipal Fund 3 (NZF)** both have 9% discounts currently — wider than the current average discount for closed-end municipal bond funds.

"Mergers historically have been a sticky solution to a chronic discount problem," says Robinson.

He isn't surprised it took a while to round up the necessary number of votes from the funds shareholder base of individual investors. Also, the mergers tweak the characteristics of the acquiring funds a bit. Both have their investment mandates broadened to allow them to buy more lower rated bonds. NVG also becomes entirely exempt from securities subject to the alternative minimum tax (AMT). (More details on the mergers are available in [a Q&A on the Nuveen website](#)).

The mergers will also increase the total costs by a few basis points, but not enough to outweigh the benefits, says Robinson.

To be folded into NZF, which will be renamed Nuveen Enhanced Municipal Credit Opportunities Fund, are:

Nuveen Dividend Advantage Municipal Fund 2 (NXZ)

Nuveen Municipal Advantage Fund (NMA)

Nuveen Premium Income Municipal Fund 4 (NPT)

To be folded into NVG, which will be renamed Nuveen Enhanced AMT-Free Municipal Credit Opportunities Fund are:

Nuveen Quality Municipal Fund (NQI)

Nuveen Quality Income Municipal Fund (NQU)

Nuveen Municipal Opportunity Fund (NIO)

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