FUNDMARKET INSIGHT REPORT

REFINITIV LIPPER RESEARCH SERIES

JULY 31, 2022

The Month in Closed-End Funds: July 2022

Performance

For the second month in three, equity CEFs on average witnessed plus-side performance on a NAV and market basis, rising 5.75% and 7.33%, respectively, for the month. This represents the strongest one-month returns for equity CEFs since November 2020. Meanwhile, for the first month in seven their fixed income CEF counterparts posted a gain on a NAV basis (+3.51%, their strongest NAV-based returns since May 2020) and for the second month in three they were in the black on a market basis (+5.22%, also their best one-month return since November 30, 2020) for July.

After a disappointing second quarter, U.S. stocks ended slightly higher ahead of the extended Fourth of July weekend, even after investors learned the Institute of Supply Management's manufacturing index fell in June to a two-year low of 53%, worse than analysts' expectations of 54.3%. The 10-year yield declined to 2.88% and front-month crude oil futures rose 2.5% on the day to settle at $108.43/barrel (bbl), keeping inflationary concerns at the forefront. However, by the next week's end, the Nasdaq booked its longest winning streak (five days) since November even after the release of a stronger-than-expected nonfarm payrolls report. The Department of Labor announced the U.S. economy had added 372,000 new jobs for June, beating analyst expectations of 250,000. However, hourly earnings rose 0.3% in June, slowing from a 0.4% rise in May. Front-month crude oil prices declined 3.4% for the week at $104.79/bbl. The 10-year Treasury yield rose 11 bps to 3.09%.

The following week, U.S. broad-based indices closed mixed but rose sharply on Friday after investors learned that June U.S. retail sales rose 1%, beating analysts' expectations and the University of Michigan's survey of consumer sentiment showed a slight improvement in July. Easing some concerns about a 100-bps interest rate hike expected at month end, Atlanta Fed President Raphael Bostic said that moving rates "too dramatically" could undermine the U.S. economy, according to a Reuters report. The 10-year Treasury yield declined three bps to close at 2.93%. Front-month crude oil futures prices—closing at $97.59/bbl—posted a weekly decline of 6.9%.

U.S. stocks booked their best week in a month, despite concerns of a slowing economy and another big interest rate hike expected by the Federal reserve at month end, as Q2 corporate earnings reports hadn't been as dour as many had feared. According to Refinitiv's Proprietary Research team, of the 279 companies in the S&P 500 that had reported earnings thus far for Q2 2022, 77.8% beat analyst expectations. This compared to a long-term average of 66.1%. Oil prices, closing at $97.57/bbl, posted a slight weekly gain. The 10-year Treasury yield declined an additional 16 bps on the week to close at 2.77%, while the one-month yield rose 17 bps to settle at 2.15%.

At month end, despite an expected 75-bps increase in the Federal Reserve's key lending rate, U.S. stocks posted their strongest one-month returns since November 2020 as big-tech companies' Q2 earnings beat analyst expectations—pushing the indices higher on the last trading day of the month. Investors appeared to ignore news that showed the personal consumption expenditures price index—the Fed's preferred inflationary measure—rose 6.8% in June, its largest 12-month move since January 1982. Oil futures rose 1.1% for the week to settle at $98.62/bbl. The 10-year Treasury yield declined 10 bps to 2.67%.

The Month in Closed-End Funds: July 2022

- For the second month in three, equity closed-end funds (CEFs) on average witnessed plus-side returns, climbing 5.75% on a net-asset-value (NAV) basis for July, while for the first month in seven, fixed income CEFs posted returns in the black (+3.51%).
- Fixed income and equity CEFs posted their best monthly NAV-based returns since November 2020.
- Only 23% of all CEFs traded at a premium to their NAV at month end, with 28% of equity CEFs and 18% of fixed income CEFs trading in premium territory. The world income CEFs macro-classification witnessed the largest narrowing of discounts for the month among Lipper's CEF macro-groups—447 basis points (bps) to a 3.39% median discount.
- Energy MLP CEFs (+12.58%) outshined the other classifications in the equity CEF universe for July.
- For the first month in eight, the High Yield Municipal CEFs (+5.47%) classification rose to the top of the leaderboard in the fixed income CEF universe for July.
- For the second month in three, the municipal debt CEFs macro-group posted a plus-side return (+4.60% on average), with all nine classifications in the group experiencing positive performance for the month.

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The 10-year Treasury yield declined 31 bps for the month—settling at 2.67%—after hitting a monthly closing high of 3.09% on July 8. In anticipation of the Fed hiking its key lending rate at month end, the Treasury yield curve rose significantly at the short-end of the curve, with the one-month Treasury yield witnessing the largest increase for the month, rising 94 bps to 2.22%. The seven-year yield witnessed the largest declines, falling 34 bps to 2.70%. The yield curve inverted for all maturities from the six month (+2.91%) to the seven year (+2.70%). The two- and 10-year Treasury yield spread remained negative by 22 bps—a perceived recession indicator.

During the month, the dollar strengthened against the euro (+2.37%) but weakened against the pound (-0.14%) and the yen (-1.79%). Commodity prices declined for the month, with near-month gold prices falling 2.28% to close the month at $1,762.90/oz. and front-month crude oil prices sliding 6.75% to close at $98.62/bbl.

For the month, 96% of all CEFs posted NAV-based returns in the black, with 97% of equity CEFs and 95% of fixed income CEFs chalking up returns in the plus column. For the eighth month in nine, Lipper's domestic equity CEFs (+6.22%) macro-group outpaced or mitigated losses better than its two equity-based brethren: mixed-assets CEFs (+5.84%) and world equity CEFs (+4.32%).

Despite a decline in oil prices and concerns of a global recession, for the first month in five the Energy MLP CEFs classification (+12.58%, June's laggard) moved to the top of the equity leaderboard, followed by Natural Resources CEFs (+9.61%) and Diversified Equity CEFs (+8.19%). Emerging Markets CEFs (+0.52%) posted the weakest gains in the equity universe and was bettered by Real Estate CEFs (+3.44%, June's leader) and Sector Equity CEFs (+4.81%). For the remaining equity classifications, returns ranged from 5.03% (Income & Preferred Stock CEFs) to 8.15% (Convertible Securities CEFs).

Six of the seven top performing CEFs for July were warehoused in Lipper's Energy MLP CEFs classification. However, at the top of the leaderboard was **RENN Fund** (**RCG**, warehoused in the Global CEFs classification) posting the strongest return, rising 22.17% on a NAV basis and traded at a 12.74% discount on July 29. Following RCG were **ClearBridge Energy Midstream Opportunity Fund Inc.** (**EMO**), gaining 16.55% and traded at a 17.83% discount at month end; **ClearBridge MLP and Midstream Fund Inc.** (**CEM**), rising 15.80% and traded at a 16.83% discount on July 29; **Neuberger Berman MLP and Energy Income Fund Inc.** (**NML**), returning 15.00% and traded at 18.36% discount at month end; and **Cushing MLP & Infrastructure Total Return Fund** (**SRV**), returning 14.59% and traded at 23.66% discount on July 29.

CLOSED-END FUNDS LAB

TABLE 1 CURRENT-MONTH PERFORMANCE, P&D, P&D SHIFTS (% OF UNIVERSE)

	NAV RETURNS POSITIVE	PREMIUM/DISCOUNT		NOW TRADING AT	
		BETTER	WORSE	PREMIUM	DISCOUNT
Equity CEFs	97	62	38	28	72
Bond CEFs	95	69	31	18	82
ALL CEFs	**96**	**66**	**34**	**23**	**77**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	JULY	YTD	3-MONTH	CALENDAR-2021
Equity CEFs	5.75	-6.41	-0.82	18.56
Bond CEFs	3.51	-9.65	-1.56	5.66
ALL CEFs	**4.48**	**-8.23**	**-1.23**	**11.29**

TABLE 3 NUMBER OF IPOs, YTD VERSUS PRIOR YEAR

	JULY 2022	CALENDAR-2021
Conventional CEFs	4	13
Interval CEFs	13	24

TABLE 4 AVERAGE SIZE OF IPOs, SELECTED PERIODS, $MIL

THREE MONTHS THROUGH 6/30/2022	0
COMPARABLE YEAR-EARLIER THREE MONTHS	1,025
CALENDAR 2021 AVERAGE	1,217

TABLE 5 NUMBER OF MERGERS & LIQUIDATIONS, YTD VERSUS PRIOR YEAR

	JULY 2022	CALENDAR-2021
ALL CEFs	**15**	**57**

TABLE 6 MEDIAN PREMIUMS AND DISCOUNTS (%)

	29-APR	31-MAY	30-JUN	29-JUL
Equity CEFs	-7.99	-8.15	-7.22	-8.64
Bond CEFs	-7.99	-7.32	-7.12	-6.11
ALL CEFS	**-7.99**	**-7.48**	**-7.16**	**-6.31**

Source: Refinitiv Lipper, an LSEG Business

For the month, the dispersion of performance in individual equity CEFs—ranging from negative 12.17% to positive 22.17%—was similar to June's spread, but much more skewed to the positive side. The 20 top-performing equity CEFs posted returns at or above positive 11.07%, while the 20-lagging equity CEFs were at or below positive 0.23%.

For the month, only seven CEFs in the equity universe posted negative returns. The three worst performing funds were housed in Lipper's Emerging Markets CEFs classification. At the bottom of the heap was **China Fund Inc.** (**CHN**), shedding 12.17% of its June-closing NAV and traded at a 12.18% discount on July 29. The second worst-performing equity CEF was **Templeton Dragon Fund Inc.** (**TDF**), posting an 11.13% loss and traded at a 12.02% discount at month end.

The U.S. Treasury yield curve generally remained inverted during the month, with the six-month (+2.91%) through the seven-year yield (+2.70%) rising above the 10-year Treasury yield (+2.67%). At month end, the two- and 10-year Treasury yield spread (-22 bps) narrowed 28 bps for July. The short end of the curve saw the greatest rises in yield, with the one-, two-, and three-month Treasury yields rising at least 60 bps at month end.

For the third month in a row, the municipal debt CEFs macro-group outpaced or mitigated losses better than the other macro-groups in the fixed income universe, posting a 4.60% gain on average, followed by domestic taxable bond CEFs (+3.05%) and world income CEFs (+1.81%).

Fixed income investors appeared to be more domestically risk seeking during the month, shunning higher quality and foreign issues. For the first month in seven, investors pushed High Yield CEFs (Leveraged) (+5.41%, June's laggard) to the top of the domestic taxable fixed income leaderboard, followed by Corporate Debt BBB-Rated CEFs (Leveraged) (+4.72%) and High Yield CEFs (+4.69%). U.S. Mortgage CEFs (+1.37%, June's leader) posted the weakest returns of the group and was bettered by Loan Participation CEFs (+2.07%). On the world income side, Global Income CEFs (+2.62%) and Emerging Markets Hard Currency Debt CEFs (+0.10%) were the relative laggards of the macro-group for the month.

For the second month in three, the municipal debt CEFs macro-group posted a plus-side return (+4.60%) on average, with all nine classifications in the group experiencing gains for July. The High Yield Municipal Debt CEFs (+5.47%, June's laggard), California Municipal Debt CEFs (+4.69%), and General & Insured Municipal Debt CEFs (Leveraged) (+4.56%) classifications outpaced the other classifications in the group for the month, while General & Insured Municipal Debt CEFs (+2.86%) was the relative laggard of the group. National municipal debt CEFs (+4.63%) outshined their national municipal debt CEF counterparts (+4.53%) by 10 bps. Year to date, the macro-group is down a stunning 12.20% on a NAV basis.

The seven top-performing individual fixed income CEFs were housed in Lipper's High Yield CEFs (Leveraged) classification. At the top of the chart was **Neuberger Berman High Yield Strategies Fund Inc.** (**NHS**), returning 10.78% and traded at a 3.39% discount on July 29, followed by **MFS Intermediate High Income Fund** (**CIF**), returning 9.20% and traded at a 3.59% premium at month end. Following those two were **New America High Income Fund Inc.** (**HYB**), returning 8.85% and traded at an 8.15% discount on July 29; **BlackRock Corporate High Yield Fund** (**HYT**), returning 8.18% and traded at a 0.89% discount at month end; and **Invesco High Income Trust II** (**VLT**), adding 8.00% to its June month-end value and traded at an 8.41% discount on July 29.

For the remaining funds in the fixed income CEF universe, monthly NAV-based performance ranged from negative 2.22% for **GL Beyond Income Fund** (**GLBFX**, an interval hybrid CEF housed in Lipper's General Bond CEFs classification) to positive 7.80% for **First Trust High Yield Opportunities 2027 Term Fund** (**FTHY**, housed in the High Yield CEFs [Leveraged] classification and traded at an 8.33% discount on July 29). The 20 top-performing fixed income CEFs posted returns at or above 6.74%, while the 20 lagging CEFs posted returns at or below 0.18% for the month. There were only 14 fixed income CEFs that witnessed negative NAV-based performance for July.

Premium and Discount Behavior

For July, the median discount of all CEFs narrowed 85 bps to 6.31%—wider than the 12-month moving average median discount (4.75%). Equity CEFs' median discount widened 142 bps to 8.64%, while fixed income CEFs' median discount narrowed 100 bps to 6.11%. World income CEFs' median discounts witnessed the largest narrowing among the CEF macro-groups—447 bps to 3.39%—while the single state municipal debt CEFs macro-group witnessed the largest widening of discounts—75 bps to 7.13%.

Gabelli Utility Trust (**GUT**, housed in the Utility CEFs classification) traded at the largest premium (+86.98%) in the CEF universe on July 29, while **Destra Multi-Alternative Fund** (**DMA**, housed in the Income & Preferred Stock CEFs classification) traded at the largest discount (-38.24%) at month end.

For the month, 66% of all closed-end funds' discounts or premiums improved, while 34% worsened. In particular, 62% of equity CEFs and 69% of fixed income CEFs saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on July 29 (100) was 15 more than the number on June 30 (85).

CEF Events and Corporate Actions
IPOs

Opportunistic Credit Interval Fund, Class I Shares (**SOFIX**) is a continuously offered non-diversified closed-end investment management company that is operated as an interval fund. The fund's investment objectives are to produce current income and capital appreciation.

The fund seeks to meet its investment objectives by investing primarily in credit-related instruments of North American and European issuers. The fund defines credit-related instruments as debt, loans, loan participations, credit facility commitments, asset and lease pool interests, mortgage servicing rights, preferred shares, and swaps linked to credit-related instruments. The fund does not invest in instruments of emerging market issuers. The fund's investments will focus on privately originated credit investments as well as secondary credit investments. The fund invests without restriction as to an instrument's maturity, structure, seniority, interest rate formula, currency, and without restriction as to issuer capitalization or credit quality. Lower credit quality debt instruments, such as leveraged loans and high yield bonds, are commonly referred to as "junk" bonds. The fund defines junk bonds as those rated lower than Baa3 by Moody's Investors Services, Inc., or lower than BBB- by Standard and Poor's Rating Group, or, if unrated, determined by the advisor to be of similar credit quality.

Under normal circumstances, the fund invests at least 80% of its net assets, plus borrowings for investment purposes, in credit-related instruments. The fund defines credit-related instruments as debt, loans, loan participations, credit facility commitments, asset and lease pool interests, mortgage servicing rights, preferred shares, and swaps linked to credit-related instruments.

The fund has adopted a fundamental policy to make quarterly repurchase offers at NAV of no less than 5% of the shares outstanding. There is no guarantee that a shareholder will be able to sell all of the shares desired in a quarterly repurchase offer because shareholders, in total, may request the fund to repurchase more than 5% of the fund's shares.

The **Angel Oak Strategic Credit Fund, FI Share Class** (**ASCNX**), is a closed-end interval fund that will invest across structured and corporate credit focusing on the best relative value opportunities across fixed income. The fund's asset allocation is not static and is expected to change over time. The fund's portfolio managers lead a team of sector specialists responsible for researching opportunities within their sector and making recommendations to the fund's portfolio managers. This top-down approach incorporates analysis of interest rates, global economic expectations, and fixed income valuation.

The fund seeks total return. In pursuing its investment objective, the fund invests under normal circumstances at least 80% of its net assets, plus any borrowings for investment purposes, in credit-related instruments. These credit-related instruments may consist of a broad range of instruments across liquid and illiquid asset classes, including corporate debt, with a focus on subordinated debt and senior debt of banks and diversified financials companies' agency and non-agency residential mortgage-backed securities; commercial mortgage-backed securities; collateralized loan obligations; asset-backed securities; residential loans and mortgages; and municipal securities.

The fund operates as an interval fund pursuant to which it, subject to applicable law, will conduct quarterly repurchase offers for between 5% and 25% of the fund's outstanding common shares at NAV. In connection with each repurchase offer, it is possible that the fund may offer to repurchase only the minimum amount of 5% of its outstanding shares. It is also possible that a repurchase offer may be oversubscribed, with the result that shareholders may only be able to have a portion of their shares repurchased. The fund does not currently intend to list its shares for trading on any national securities exchange.

Rights, Repurchases, Tender Offers

Delaware Enhanced Global Dividend and Income Fund (**DEX**) announced the preliminary results of its issuer tender offer to purchase for cash up to 558,998 of its common shares, representing up to five percent of its issued and outstanding common shares. The offer expired on Thursday, June 30, 2022. Based on current information, approximately 34.05% shares of common stock, or approximately 3,806,613 of the fund's shares outstanding, were tendered through the expiration date. This total does not include shares tendered pursuant to notices of guaranteed delivery. Because the number of shares exceeded 558,998 shares, the relative number of shares that will be purchased from each shareholder will be prorated based on the number of shares properly tendered. The final number of shares validly tendered and accepted pursuant to the tender offer will be announced at a later date. The fund expects to make cash payments for tendered and accepted shares at a price equal to 98% of the fund's NAV as of the close of regular trading on the NYSE on Friday, July 1, 2022. Payment for shares tendered and accepted was expected to be sent to tendering shareholders within approximately 10 business days after the expiration date.

Western Asset Middle Market Income Fund Inc. (**XWMFX**) announced the final results of its issuer tender offer for up to 2.5% of the outstanding common stock or 3,701 shares of the fund at a price equal to the fund's NAV on the day on which the tender

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offer expired. The fund reserved the right to purchase up to an additional 2% of the fund's outstanding shares without amending or extending the offer. The fund's offer expired on June 30, 2022.

A total of 9,170 shares were duly tendered and not withdrawn. Because the number of shares tendered exceeds 3,701 shares, the tender offer is oversubscribed. Therefore, in accordance with the terms and conditions specified in the tender offer, the fund will purchase shares from all tendering stockholders on a pro rata basis, excluding any odd lot transactions and disregarding fractions. A total of 5,182 shares, including 1,481 additional shares, were accepted for payment. Accordingly, on a pro rata basis, including the impact of any additional shares purchased but excluding any odd lot transactions and disregarding fractions, approximately 52.4% of shares for each stockholder who properly tendered shares have been accepted for payment. The purchase price of properly tendered shares is $561.53 per share, equal to the per share NAV as of the close of the regular trading session of the NYSE on June 30, 2022. The fund expected to transmit payment to purchase the duly tendered and accepted shares on or about July 5, 2022. Shares that were tendered but not accepted for payment and shares that were not tendered will remain outstanding.

RiverNorth Specialty Finance Corporation (**RSF**) announced the final results of its repurchase offer for up to 5% of its outstanding common shares. The repurchase offer expired on July 6, 2022. Based on information provided by DST Systems, Inc., the depositary for the repurchase offer—a total of 950,169 shares—were submitted for redemption and 192,627 shares were repurchased. In accordance with the terms and conditions of the repurchase offer, because the number of shares submitted for redemption exceeds the number of shares offered to purchase, the fund will purchase shares from tendering shareholders on a pro rata basis (disregarding fractional shares). The purchase price of repurchased shares is equal to the fund's NAV per share calculated as of the close of regular trading on the NYSE on July 6, 2022, which is equal to $18.06 per share.

Delaware Investments National Municipal Income Fund (**VFL**) announced that its board of trustees has authorized an issuer tender offer to purchase for cash up to 10,478,347 of its common shares, representing 50% of its issued and outstanding common shares. The tender offer will commence on November 14, 2022, and purchases will be made at a price per share equal to 99% of the fund's NAV per share as of the close of trading on the first business day after the expiration of the offer. If more shares are tendered than the amount the board has authorized to purchase, the fund will purchase a number of shares equal to the offer amount on a prorated basis. The commencement of the tender offer is pursuant to an agreement between the fund and Saba Capital Management, L.P., and certain associated parties.

Virtus Total Return Fund Inc. (**ZTR**) announced that it has set August 9, 2022, as the record date for its proposed offering of additional shares of common stock pursuant to its rights offering that was previously announced on March 3, 2022. The fund filed a registration statement with respect to the rights offering with the SEC on March 3, 2022, and amended it on July 28, 2022.

Mergers and Reorganizations

Angel Oak Capital Advisors, LLC, announced the reorganization of **Angel Oak Dynamic Financial Strategies Income Term Trust** (**DYFN**) with and into **Angel Oak Financial Strategies Income Term Trust** (**FINS**) was completed on July 29, 2022, after the close of trading. The reorganization was intended to provide potential benefits to shareholders, including lower operating expenses and greater secondary market liquidity, among other efficiencies. The completed reorganization and related issuance of new shares of FINS, which required approval by shareholders of FINS and satisfaction of applicable regulatory requirements, included the transfer of all assets of DYFN to FINS. FINS issued approximately 4,757,307 new common shares in exchange for the DYFN assets, bringing the total number of its outstanding common shares to approximately 25,062,638. The conversion ratio was calculated at 1.17 common shares of FINS for each DYFN common share. FINS net assets and total assets are now approximately $409 million and $589 million, respectively.

Other

NexPoint Diversified Real Estate Trust (**NXDT**) announced that the Securities and Exchange Commission issued an order, effective July 1, 2022, enabling the company to complete the transition of its business to a diversified real estate investment trust (REIT). The company's common and preferred shares will continue to be traded on the NYSE under the ticker symbols NXDT and NXDT-PA, respectively. NexPoint Diversified Real Estate Trust is a publicly traded diversified REIT that trades on the NYSE under the ticker symbol NXDT. The company previously operated as a registered closed-end investment company. On August 28, 2020, shareholders approved a proposal to transition the company from an investment company to a diversified REIT. As part of this transition, the company changed its name from NexPoint Strategic Opportunities Fund to NexPoint Diversified Real Estate Trust, effective November 8, 2021. The company also changed its ticker symbol from NHF to NXDT. On July 1, 2022, the SEC issued a deregistration order declaring that the company has ceased to be an investment company and that the company's registration as an investment company under the Investment Company Act of 1940 shall immediately cease to be in effect. The order, effective July 1, 2022, allows the company to finalize its transition to a diversified REIT and begin trading as a REIT.

For immediate assistance, feel free to contact Lipper Client Services toll-free at 877.955.4773 or via email at LipperUSClientServices@refinitiv.com. For more information about Lipper, please visit our website at refinitiv.com/en or lipperalphainsight.com

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