FUND*MARKET* INSIGHT REPORT

LIPPER RESEARCH SERIES

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The Month in Closed-End Funds: February 2020

Performance

For the second month in a row, equity CEFs on average witnessed downside performance on both a NAV and market basis. They declined 6.90% and 11.12%, respectively, for February—their largest one-month declines since September 30, 2011, and February 28, 2009. Meanwhile, for the fourth consecutive month, their fixed income CEF counterparts posted returns in the black on a NAV basis (+0.15%), but they posted negative returns on a market basis (-3.25%), breaking a 13 month plus-side trend.

During the month, the major benchmarks closed in correction territory, declining at least 10% from recent market highs as stocks were crushed at month end on intensifying fears over the spread of COVID-19 and its possible impact on the global markets. The NASDAQ Composite Price Only Index (-6.38%) mitigated losses better than the other U.S. broad-based indices for the month, while the Dow Jones Industrial Average Price Only Index (-10.07%) witnessed the largest losses of the group. On the global side, the Shanghai Price Only Index mitigated losses better than the others in the group—losing 4.06% for the month—while the FTSE 100 Price Only Index (-12.48%) posted the largest declines of the often-followed international indices.

The U.S. markets started the month in record territory but fizzled out at week's end as investors locked in gains after a strong January nonfarm payroll report and growing concerns over the fast-moving coronavirus. Nonetheless, the NASDAQ, S&P 500, and Dow posted sizeable weekly gains. The Department of Labor announced the U.S. economy had added 225,000 new jobs for January, beating analyst expectations of 165,000. The unemployment rate ticked up to 3.6%, while average hourly earnings rose 0.2% last month. The People's Bank of China injected $244 billion into its financial system to help mitigate the economic impact of the coronavirus. Investors pushed safe-haven plays higher while oil prices declined.

However, U.S. stocks hit new record highs again the following week despite reports of sluggish retail sales and the continued spread of COVID-19 in China, helped by data that suggested consumer confidence neared a 15-year high.

U.S stocks broke their two-week winning streak, declining about 1.5% for the week after investors learned about the spread of the coronavirus from China to neighboring countries. Fanning the flames, HIS Markit reported business activity in the U.S. contracted in February for the first time in four years, caused by the coronavirus and concerns over the upcoming U.S. elections. Crude oil prices began to tumble amid concerns of a breakdown in the Saudi Arabia/Russia alliance to cut oil production.

Stocks took it on the chin at month end as the market suffered its seventh consecutive day of downside performance, with stocks suffering their largest weekly market decline since October 2008 as investors evaluated the degree of damage COVID-19 will inflict on the global economy and supply chains. At month end, there were more than 83,000 reported global cases of COVID-19 and more than 2,800 confirmed deaths. All three major benchmarks closed in correction territory, with the Dow declining 12.4% for the week, bettered by the S&P 500 (-11.5%) and the NASDAQ (-10.5%). Crude oil prices continued to get pummeled as investors evaluated a significant decline in global demand. The 10-year Treasury yield slipped to 1.13%, its lowest closing value on record, dropping below the three-month Treasury bill rate of 1.27%.

The Month in Closed-End Funds: February 2020

- For the second month in a row, equity closed-end funds (CEFs) on average posted negative returns, declining 6.90% on a net-asset-value (NAV) basis for February, while for the fourth month in a row, fixed income CEFs witnessed positive returns (+0.15%).
- Only 13% of all CEFs traded at a premium to their NAV, with 12% of equity CEFs and 13% of fixed income CEFs trading in premium territory. The world income CEFs macro-classification witnessed the largest widening of discounts for the month among Lipper's CEF macro-groups—437 basis points (bps) to 6.68%.
- Real Estate CEFs (-2.46%) mitigated losses better than the other equity CEF classifications for the month
- The California Municipal CEFs classification (+2.35%) posted the strongest plus-side returns in the fixed income universe for the month.
- For the fifth consecutive month, the municipal bond CEF (+2.12%) macro-group posted plus-side returns, with all nine classifications in the group posting returns in the black.

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Federal Reserve Chair Jerome Powell said the central bank was closely monitoring the coronavirus epidemic and its potential to slow economic growth, raising optimism that the Fed will cut intertest rates to help the economy. The Treasury curve shifted down at all maturities. The one-year Treasury yield witnessed the largest decline for the month, falling 48 basis points (bps) to 0.97%, while the one-month yield experienced the smallest drop, declining 11 bps to 1.45%.

For February, the dollar strengthened against the euro (+0.26%) and the pound (+1.49%), but weakened against the yen (-0.54%). Commodity prices declined for the month, with near-month gold prices declining 1.19% to close the month at $1,564.10/ounce and front-month crude oil prices declining 13.19% to close at $44.76/ barrel.

For the month, only 33% of all CEFs posted NAV-based returns in the black, with just 8% of equity CEFs and 52% of fixed income CEFs chalking up returns in the plus column. For the second month in a row, Lipper's mixed-asset CEFs (-4.66%) mitigated losses better than or outperformed its two equity-based brethren: world equity CEFs macro-group (-6.50%) and domestic equity CEFs (-7.68%).

For the first month in nine, the Real Estate CEFs classification (-2.46%) mitigated losses better than or outperformed all other equity classifications, followed by Convertible Securities CEFs (-4.58%) and Income & Preferred Stock CEFs (-4.68%). Energy MLP CEFs (-17.40%, January's laggard) posted the largest losses of the equity universe and was bettered by Natural Resources CEFs (-12.26%) and Utility CEFs (-9.80%). For the remaining equity classifications, returns ranged from negative 8.47% (Diversified Equity CEFs) to negative 4.93% (Sector Equity CEFs).

Two of the top five equity CEFs were warehoused in the Emerging Markets CEF classification, with **China Fund, Inc.** (**CHN**) rising 5.72% on a NAV basis and traded at a 13.02% premium on February 28 and **Templeton Dragon Fund, Inc.** (**TDF**), gaining 2.86% and traded at a 13.55% discount at month end, posting the strongest returns in the equity universe. Following CHN and TDF were **Bluerock Total Income+ Real Estate Fund, I Shares** (**TIPWX**, an interval CEF warehoused in Lipper's Real Estate CEFs classification), rising 0.64%; **Bluerock Total Income+ Real Estate Fund, L Shares** (**TIPLX**, also an interval CEF housed in the Real Estate CEFs classification), posting a 0.59% return; and **Bluerock Total Income+ Real Estate Fund, A Shares** (**TIPRX**, also an interval CEF), gaining 0.59%.

For the month, the dispersion of performance in individual equity CEFs—ranging from negative 27.02% to positive 5.72%—was wider than January's spread and significantly more skewed to the negative side. The 20 top-performing equity CEFs posted returns at or above 0.34%, while the 20-lagging equity CEFs were at or below minus 13.94%.

CLOSED-END FUNDS LAB

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

	NAV RETURNS	PREMIUM/DISCOUNT		NOW TRADING AT	
	POSITIVE	BETTER	WORSE	PREMIUM	DISCOUNT
Equity CEFs	8	17	83	12	88
Bond CEFs	52	5	95	13	87
ALL CEFs	**33**	**10**	**90**	**13**	**87**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	FEBRUARY	YTD	3-MONTH	CALENDAR-2019
Equity CEFs	-6.90	-7.92	-4.91	19.20
Bond CEFs	0.15	1.70	2.97	10.84
ALL CEFs	**-2.92**	**-2.47**	**-0.47**	**14.51**

TABLE 3 NUMBER OF IPOs, YTD VERSUS PRIOR YEAR

	FEBRUARY 2020	CALENDAR-2019
Conventional CEFs	2	10
Interval CEFs	1	26

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

THREE MONTHS THROUGH 1/31/2020	2,044
COMPARABLE YEAR-EARLIER THREE MONTHS	70
CALENDAR 2019 AVERAGE	1,362

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

	FEBRUARY 2020	CALENDAR-2019
ALL CEFs	**3**	**23**

TABLE 6 MEDIAN PREMIUMS AND DISCOUNTS (%)

	29-NOV	31-DEC	31-JAN	28-FEB
Equity CEFs	-6.20	-7.00	-5.40	-7.72
Bond CEFs	-6.17	-5.63	-4.69	-8.38
ALL CEFS	**-6.17**	**-5.78**	**-4.95**	**-8.08**

Source: Refinitiv Lipper

For the month, only 21 CEFs in the equity universe posted plus-side returns. Nine of the 10 worst performing funds were housed in the Energy MLP CEFs classification, with **Nuveen All Cap Energy MLP Opportunities Fund** (**JMLP**, housed in the Energy MLP CEF classification) posting the worst return in the equity CEF universe, shedding 27.02% of its January-closing NAV, and traded at a 1.35% discount on February 28. The second worst performing CEF was **Duff & Phelps Select MLP and Midstream Energy Fund Inc.** (**DSE**), declining 25.70% for the month and traded at a 2.28% discount at month end.

As mentioned earlier, the Treasury yield curve shifted lower at all maturities and remained inverted during the month. The 10-year Treasury yield declined 38 bps for the month, to 1.13%, its lowest closing value on record. For the second consecutive month, municipal bond CEFs remained at the top of the leaderboard, posting a 2.12% return on average, followed by domestic taxable fixed income CEFs (-1.23%) and world income CEFs (-1.55%).

Investors became more risk averse during the month, pushing risky assets to the bottom of heap, with Emerging Markets Hard Currency Debt CEFs (-2.64%) posting the largest declines for the month and weighing on the world income CEFs macro-group. On the domestic taxable fixed income side, the Corporate Debt BBB-Rated CEFs classification took the top honors, returning 0.84%, followed by U.S. Mortgage CEFs (+0.83%) and Corporate Debt BBB-Rated CEFs (Leveraged) (-0.13%). High Yield CEFs (Leveraged) (-1.98%) suffered the largest declines of the group, bettered by Loan Participation CEFs (-1.70%).

For the fifth month in a row, the municipal debt CEFs macro-group posted a plus-side return (+2.12%) on average, with all nine classifications in the group experiencing plus-side returns for February. The California Municipal Debt CEFs (+2.35%), General & Insured Municipal Debt CEFs (Leveraged) (+2.34%), and New York Municipal Debt CEFs (+2.05%) classifications posted the strongest returns of the subgroup, while Intermediate Municipal Debt CEFs (+1.08%) was the relative laggard. National municipal debt CEFs (+2.16%) outpaced their single-state municipal debt CEF counterparts (+2.04%) by 12 bps.

The two top-performing individual fixed income CEFs were housed in Lipper's General & Insured Municipal Debt CEFs (Leveraged) classification. At the top of the fixed income universe chart were **Nuveen Municipal Credit Opportunities Fund** (**NMCO**), returning 4.89% and traded at a 6.59% discount on February 28, and **Nuveen Enhanced Municipal Value Fund** (**NEV**), returning 4.71% and traded at a 5.99% discount at month end. Following NMCO and NEV were **BlackRock Taxable Municipal Bond Trust** (**BBN**, housed in the General Bond CEFs classification), returning 4.48% and traded at an 8.03% discount on February 28; **PIMCO California Municipal Income Fund II** (**PCK**, warehoused in the California Municipal CEFs classification), returning 3.68% and traded at a 2.70% premium at month end; and **Nuveen Taxable Municipal Income Fund** (**NBB**, warehoused in the General Bond CEFs classification), tagging 3.58% onto its January month-end value and traded at a 7.74% discount on February 28.

For the remaining funds in the fixed income CEF universe, monthly NAV-based performance ranged from minus 6.13% for **Franklin Universal Trust** (**FT**, housed in Lipper's High Yield CEFs (Leveraged) classification and traded at a 14.34% discount on February 28) to plus 3.57% for **PIMCO Municipal Income Fund II** (**PML**, housed in Lipper's General & Insured Municipal Debt CEFs (Leveraged) classification and traded at a 11.65% premium at month end). The 20 top-performing fixed income CEFs posted returns at or above 2.75%, while the 20 lagging CEFs posted returns at or below minus 2.88% for the month. There were 169 fixed income CEFs that witnessed negative NAV-based performance for February.

Premium and Discount Behavior

For February, the median discount of all CEFs widened 313 bps to 8.08%—wider than the 12-month moving average median discount (6.73%). Equity CEFs' median discount widened 232 bps to 7.72%, while fixed income CEFs' median discount widened 368 bps to 8.78%. World income CEFs' median discount witnessed the largest widening among the CEF macro-groups—437 bps to 6.68%—while the world equity CEFs macro-group witnessed the smallest widening of discounts—253 bps to 13.14%.

Gabelli Utility Trust (**GUT**, housed in the Utility CEFs classification) traded at the largest premium (+55.38%) in the CEF universe on February 28, while **Highland Global Allocation Fund** (**HGLB**, housed in the Global CEFs classification) traded at the largest discount (-27.76%) at month end.

For the month, only 10% of all funds' discounts or premiums improved, while 90% worsened. In particular, 17% of equity CEFs and 5% of fixed income CEFs saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on February 28 (61) was 52 less than the number on January 31 (113).

CEF Events and Corporate Actions
IPOs

The **DoubleLine Yield Opportunities Fund** (**DLY**) has completed an initial public offering of common shares listed on the New York Stock Exchange (NYSE). The fund raised approximately $920 million in proceeds in the offering of 46 million common shares at $20 per share. The fund has granted the underwriters an option to purchase an additional 6.9 million common shares at the public offering price within 45 days of the date of the prospectus—February 25, 2020—solely to cover overallotments, if any. DoubleLine (and not the fund) has agreed to pay from its own assets all organizational expenses of the fund and all offering costs associated with this offering of common shares. The fund is not obligated to repay any such organizational expenses or offering costs. The fund's investment objective is to seek a high level of total return, with an emphasis on current income.

Rights, Repurchases, Tender Offers

BlackRock Credit Allocation Income Trust (**BTZ**) announced the final results of the trust's tender offer for up to 10% of its outstanding common shares. The tender offer, which expired on February 3, 2020, was oversubscribed. Therefore, in accordance with the terms and conditions of the tender offer, the trust will purchase shares from all tendering stockholders on a pro rata basis, after disregarding fractions, based on the number of shares properly tendered. The final results of the tender offer are as follows: number of shares tendered: 41,241,878; number of tendered shares to be purchased: 10,386,555; pro-ration factor: 0.25185496; purchase price*: $14.945 *Equal to 98% of the trust's NAV per share as of February 3, 2020 (the business day on which the tender offer expired).

Western Asset Middle Market Income Fund Inc. (**XWMFX**) announced that the fund's board of directors has approved a tender offer to purchase for cash up to 2.5% of the fund's outstanding shares of common stock, subject to the right to purchase up to an additional 2% of the fund's outstanding shares without amending or extending the offer. The tender offer will be conducted at a price equal to the fund's NAV per share of common stock on the day on which the tender offer expires. The fund intended to commence its tender offer on or about March 6, 2020, with the expiration of the tender offer currently expected to be April 6, 2020. The tender offer will be made—and the stockholders of the fund will be notified—in accordance with the Securities Exchange Act of 1934, as amended; the Investment Company Act of 1940, as amended; and other applicable rules and regulations.

Clarion Partners Real Estate Income Fund Inc. (CPREIF) announced that the fund's board of directors has approved a tender offer for up to 5.0% of the fund's aggregate NAV, subject to the right to purchase additional shares representing up to 2.0% of the fund's NAV, without amending or extending the offer. The tender offer will be conducted at a price equal to the fund's NAV per share of common stock on the day on which the tender offer expires. The fund intended to commence its tender offer on or about March 18, 2020, with the expiration of the tender offer currently expected to be April 16, 2020. CPREIF is a non-diversified, closed-end investment management company that continuously offers its common stock.

Firsthand Technology Value Fund, Inc. (**SVVC**), a publicly traded venture capital fund that invests in technology and cleantech companies, announced the final results of its "modified Dutch auction" tender offer. The fund's tender offer expired on February 14, 2020. The tender offer was made pursuant to an offer to purchase dated December 17, 2019, and the related letter of transmittal, by which up to $4 million of the fund's common stock would be purchased at a price per share not less than $6.00 and not greater than $8.00 per share, in 10-cent increments. In accordance with the fund's previously announced tender offer, and based on the final count by Computershare Trust Fund, N.A.—the depositary for the tender offer—571,428 shares were purchased, representing 8.0% of the fund's outstanding shares, for payment on or about February 21, 2020, at a price of $7.00 per share. The fund has determined that the proration factor for the tender offer was approximately 69.5%. The purchase price of properly tendered shares represents 39.5% of NAV per share based on the preliminary December 31, 2019, NAV of $17.70 per share.

Mergers and Reorganizations

Angel Oak Capital Advisors, LLC, an investment management firm that specializes in value-driven fixed income investment solutions, announced that the board of trustees of **Angel Oak Financial Strategies Income Term Trust** (**FINS**) approved the merger of the **Vivaldi Opportunities Fund** (**VAM**) with and into FINS, subject to approval of the reorganization by VAM's shareholders and of the issuance of additional FINS common shares by FINS's shareholders.
The proposed merger, which is expected to be completed in the second quarter of 2020 subject to required shareholder approvals and the satisfaction of applicable regulatory requirements and other customary closing conditions, includes the transfer of all the assets of VAM to FINS in exchange solely for newly issued common shares of beneficial interest of FINS at a ratio of the NAV of each fund. There will be

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no change to the investment objectives, investment strategies, or investment policies of FINS as a result of the proposed merger, and the entire management team for FINS will remain the same.

The reorganization of **Nuveen Texas Quality Municipal Income Fund** (**NTX**) into **Nuveen Quality Municipal Income Fund** (**NAD**) was completed prior to the opening of the New York Stock Exchange on February 18, 2020. In the reorganization, NAD acquired substantially all of the assets and liabilities of NTX in a tax-free transaction in exchange for an equal aggregate value of newly issued common shares. The transaction was based upon the values of the funds' net assets as of the close of trading on February 14, 2020. The exchange ratio at which common shares of the acquired fund were exchanged for common shares of the acquiring fund is as follows: 0.98253425.

Other

BNY Mellon Alcentra Global Credit Income 2024 Target Term Fund, Inc. (**DCF**) announced that its board of directors has approved the removal of a non-fundamental investment restriction that prohibits the fund from investing in credit instruments (other than floating rate senior secured loans or investments in the structured credit strategy backed by such senior secured loans) with an expected maturity date extending beyond June 1, 2025. Currently, the fund may invest in credit instruments of any maturity or duration, subject to the expected maturity restriction. As of March 27, 2020, the fund will no longer be subject to the expected maturity restriction. Portfolio management believes removing the expected maturity restriction will provide greater investment flexibility to meet the fund's investment objectives and enhance yield and total return opportunities without increased risk while allowing the fund to be more competitive with similar funds in its peer group.

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

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