FUNDMARKET INSIGHT REPORT

LIPPER RESEARCH SERIES

MARCH 31, 2020

The Month in Closed-End Funds: March 2020

Performance

For the third consecutive month, equity CEFs on average witnessed downside performance on both a NAV and market basis. They declined a whopping 20.64% and 25.84%, respectively, for March—their largest one-month average decline since October 31, 2008, and in at least 35 years, respectively.

Meanwhile, for the first month in five, their fixed income CEF counterparts posted returns in the red on a NAV basis (-12.80%, their worst one-month NAV-based return in at least 35 years), and for the second month in a row on a market basis (-14.00%), chalking up their worst market returns since September 30, 2008.

For the quarter, equity CEFs (-25.94% on a NAV basis and -33.92% on a market basis) posted their worst quarterly returns since Q4 2008 and in at least 35 years, respectively, while fixed income CEFs (-11.18% and 14.74%, respectively) posted their worst one-quarter returns since Q4 2008 and Q3 2008, respectively.

During the month, the major benchmarks closed in bear market territory, declining at least 20% from recent market highs as stocks were crushed as a novel coronavirus played havoc on the world's citizens and an oil reduction dispute between Saudi Arabia and Russia sent oil prices to an 18-year low. The broad-based indices finished the month of March on a dour note. On the domestic side, the NASDAQ Composite index did the best job of mitigating losses for the month, declining 10.12%, while the Russell 2000 was the group laggard, losing 21.90%, for the month.

Despite a better-than-expected jobs report at the beginning of March, stocks witnessed increasing volatility as investors learned the number of COVID-19 cases climbed above 100,000 globally, while oil prices plunged 10% after oil reduction talks between Russia and Saudi Arabia collapsed. The Department of Labor announced the U.S. economy had added 273,000 new jobs for February, easily beating analyst expectations of 165,000. However, with the COVID-19 death toll rising above 3,300, disrupting international travel and causing many U.S. states to impose emergency orders, investors accelerated their purchases of safe-haven assets and pressured risky assets.

The 10-year Treasury yield fell below 1% after the Federal Reserve Board announced an emergency 50-basis-point interest rate cut, indicating that while it thought the U.S economy's fundamentals remained strong, the coronavirus posed risks to economic activity.

The following week, market volatility whipsawed investors as U.S. stocks witnessed their largest one-day decline since the October 1987 crash as the number of COVID-19 cases accelerated in the U.S. This was followed by their largest one-day gain since October 27, 2008, after President Donald Trump declared a national emergency over the coronavirus pandemic. The last time the S&P 500 had back-to-back 9% moves was in October 1929.

An additional 11% skid in oil prices the next week added to sharp market losses as panic selling continued amid the acceleration of the global death toll, with the Dow witnessing a 17.3% decline for the week. The Dow lost 35.1% from its peak on February 12. More than 14,000 cases had been confirmed in the U.S., with over 200 deaths. The governors of New York and California ordered non-essential business closed and residents to remain at home to help limit the spread of the disease. Senate Majority Leader Mitch McConnell introduced a $1 trillion stimulus package and the Fed slashed its benchmark interest rate to zero and began quantitative easing.

The Month in Closed-End Funds: March 2020

- For the third month in a row, equity closed-end funds (CEFs) on average posted negative returns, declining 20.64% on a net-asset-value (NAV) basis for March (their worst one-month decline since October 31, 2008), while for the first month in five, fixed income CEFs witnessed returns in the red (-12.80%, their worst monthly loss in at least 35 years).
- Only 12% of all CEFs traded at a premium to their NAV, with 13% of equity CEFs and 12% 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—358 basis points (bps) to 10.26%.
- Once again, Real Estate CEFs (-10.79%) mitigated losses better than the other equity CEF classifications for the month.
- Energy MLP CEFs (-63.74%) and Natural Resources CEF (-38.59) were crushed in March as the perfect storm caused near-month crude oil prices to get trounced.
- For the first month in five, the municipal bond CEF (-8.24%) macro-group posted returns in the red, with all nine classifications in the group posting losses for March.

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Market volatility remained ever-present toward month end as the Dow posted its largest weekly gain since 1938 after the coronavirus route, with the market getting a temporary lift after President Trump signed a $2.2 trillion coronavirus relief package and the Fed's aggressive monetary policy easing. These measures pushed the Dow to its best three-day gain since 1931 despite the U.S. surpassing the number of reported cases of COVID-19 as compared to China. However, crude oil prices ended sharply lower, declining to $21.51/barrel as the price war and declining global demand led to an excess of crude oil. On the last trading day of the month, the Dow closed down 400 points as contagion worries lingered.

For March, the dollar strengthened against the euro (+0.03%) and the pound (+2.93%), but weakened against the yen (-0.55%). Commodity prices were mixed for the month, with near-month gold prices rising 1.23% to close the month at $1,583.4/ounce and front-month crude oil prices declining an eyepopping 54.24% to close at $20.48/barrel.

For the month, only 3% of all CEFs posted NAV-based returns in the black, with just 5% of equity CEFs and only 1% of fixed income CEFs chalking up returns in the plus column. For the third month in a row, Lipper's mixed-assets CEFs (-17.81%) mitigated losses better than or outperformed its two equity-based brethren: world equity CEFs macro-group (-18.10%) and domestic equity CEFs (-22.21%).

For the second month in a row, the Real Estate CEFs classification (-10.79%) mitigated losses better than or outperformed all other equity classifications, followed by Options Arbitrage/Options Strategies CEFs (-11.62%) and Sector Equity CEFs (-14.25%). Energy MLP CEFs (-63.74%, February's laggard) posted the largest losses of the equity universe and was bettered by Natural Resources CEFs (-38.59%) and Emerging Markets CEFs (-20.33%). For the remaining equity classifications, returns ranged from negative 18.79% (Utility CEFs) to negative 14.68% (Developed Markets CEFs).

All of the CEFs in positive territory were interval hybrid funds, with **A3 Alternative Credit Fund** (**AAACX**, warehoused in Lipper's Income & Preferred Stock CEFs classification), rising 1.05% on a NAV basis; and **ACAP Strategic Fund, W Shares** (**XCWPX** housed in the Global CEFs classification), gaining 0.70%, posting the strongest returns in the equity universe. Following AAACX and XCWPX were **ACAP Strategic Fund, A Shares** (**XCAPX**, also housed in Lipper's Global Funds CEFs classification), rising 0.68%; **SharesPost 100 Fund, A Shares** (**PRIVX**, housed in the Sector Equity CEFs classification), posting a 0.26% return; and **SharesPost 100 Fund, I Shares** (**PIIVX**), gaining 0.26%.

For the month, the dispersion of performance in individual equity CEFs—ranging from negative 87.34% to positive 1.05%—was pointedly wider than February's spread and significantly more skewed to the negative

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	5	29	71	13	87
Bond CEFs	1	35	65	12	88
ALL CEFs	**3**	**32**	**68**	**12**	**88**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	MARCH	YTD	3-MONTH	CALENDAR-2019
Equity CEFs	-20.64	-25.94	-25.94	19.20
Bond CEFs	-12.80	-11.18	-11.18	10.84
ALL CEFs	**-16.19**	**-17.58**	**-17.58**	**14.51**

TABLE 3 NUMBER OF IPOs, YTD VERSUS PRIOR YEAR

	MARCH 2020	CALENDAR-2019
Conventional CEFs	3	10
Interval CEFs	2	26

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

THREE MONTHS THROUGH 2/29/2020	2,044
COMPARABLE YEAR-EARLIER THREE MONTHS	-
CALENDAR 2019 AVERAGE	1,362

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

	MARCH 2020	CALENDAR-2019
ALL CEFs	**6**	**23**

TABLE 6 MEDIAN PREMIUMS AND DISCOUNTS (%)

	31-DEC	31-JAN	28-FEB	31-MAR
Equity CEFs	-7.00	-5.40	-7.72	-10.84
Bond CEFs	-5.63	-4.69	-8.38	-9.11
ALL CEFS	**-5.78**	**-4.95**	**-8.08**	**-9.78**

Source: Refinitiv Lipper

side. The 20 top-performing equity CEFs posted returns at or above minus 2.38%, while the 20-lagging equity CEFs were at or below minus 50.00%.

For the month, only 14 CEFs in the equity universe posted plus-side returns. Eleven of the worst performing funds were housed in the Energy MLP CEFs classification, with **Tortoise Midstream Energy Fund Inc.** (**NTG**) posting the worst return in the equity CEF universe, shedding 87.34% of its February-closing NAV, and traded at a 22.35% discount on March 31. The second worst performing CEF was **Duff & Phelps Select MLP and Midstream Energy Fund Inc.** (**DSE**), declining 85.93% for the month and traded at a 1.03% discount at month end. Because of the COVID-19 crisis and the dispute between OPEC and Russia, a decline in global oil demand tied with an increase in global supply has resulted in dramatic selling pressure impacting energy infrastructure companies. Please see the CEF Other events section for examples of related Energy MLP CEFs cutting distributions and terminating their use of leverage.

As mentioned earlier, the Federal Reserve Board slashed its key lending rate to zero. The Treasury yield curve shifted lower at all maturities, but steepened during the month. The one-month Treasury yield witnessed the largest decline, falling 140 basis points to 0.05% at month end. The 10-year Treasury yield declined 43 bps for the month to 0.70%, after hitting a low of 0.54% on March 9, its lowest closing value on record. For the third consecutive month, municipal bond CEFs remained at the top of the leaderboard, posting a minus 8.25% return on average, followed by domestic taxable fixed income CEFs (-15.84%) and world income CEFs (-17.69%).

Investors became more risk averse during the month, questioning the credit quality of risky assets and causing credit spreads to widen significantly, with Emerging Markets Hard Currency Debt CEFs (-21.45%) 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 minus 7.44%, followed by Corporate Debt BBB-Rated CEFs (Leveraged) (-9.93%) and High Yield CEFs (-14.37%). High Yield CEFs (Leveraged) (-17.23%) suffered the largest declines of the group, bettered by Loan Participation CEFs (-16.94%).

For the first month in five, the municipal debt CEFs macro-group posted a negative return (-8.25%) on average, with all nine classifications in the group experiencing returns in the red for March. The Intermediate Municipal Debt CEFs (-5.02%), General & Insured Municipal Debt CEFs (-5.88%), and Other States Municipal Debt CEFs (-6.45%) classifications did a better job mitigating losses than the other classifications in the subgroup, while High Yield Municipal Debt CEFs (-9.81%) was the laggard. National municipal debt CEFs (-8.84%) underperformed their single-state municipal debt CEF counterparts (-7.36%) by about 148 bps.

The three top-performing individual fixed income CEFs were housed in Lipper's domestic taxable fixed income CEFs macro-group. At the top of the fixed income universe chart were **Pioneer ILS Interval Fund** (**XILSX**, an interval hybrid CEF housed in the High Yield CEF [Leveraged] classification), returning 0.36%; **MFS Government Markets Income Trust** (**MGF**, housed in the Corporate Debt BBB-Rated CEFs classification), returning 0.19% and traded at a 5.82% discount on March 31; and **City National Rochdale Select Strategies Fund** (**CNRLX**, an interval hybrid CEF housed in the General Bond CEFs classification), returning 0.09%. Following those three were **BlackRock Florida Municipal 2020 Term Trust** (**BFO**, warehoused in the Other States Municipal CEFs classification), posting a negative 0.19% return and traded at a 2.37% discount at month end; and **BlackRock Municipal 2020 Term Trust** (**BKK**, warehoused in the Intermediate Municipal Debt CEFs classification), losing 0.46% of its February month-end value and traded at a 2.65% discount on March 31.

For the remaining funds in the fixed income CEF universe, monthly NAV-based performance ranged from minus 37.37% for **XAI Octagon Floating Rate & Alternative Inc Term Trust** (**XFLT**, housed in Lipper's Loan Participation CEFs classification and traded at a 6.07% discount on March 31) to minus 0.83% for **AlphaCentric Prime Meridian Income Fund** (**PMIFX**, an interval hybrid CEF housed in Lipper's Loan Participation CEFs classification). The 20 top-performing fixed income CEFs posted returns at or above minus 4.60%, while the 20 lagging CEFs posted returns at or below minus 24.35% for the month. There were only three fixed income CEFs that witnessed plus-side NAV-based performance for March.

Premium and Discount Behavior

For March, the median discount of all CEFs widened 170 bps to 9.78%—wider than the 12-month moving average median discount (6.89%). Equity CEFs' median discount widened 312 bps to 10.84%, while fixed income CEFs' median discount widened 73 bps to 9.11%. World income CEFs' median discount witnessed the largest widening among the CEF macro-groups—358 bps to 10.26%—while the national municipal debt CEFs macro-group witnessed the only narrowing of discounts—87 bps to 6.52%.

Gabelli Utility Trust (**GUT**, housed in the Utility CEFs classification) traded at the largest premium (+53.14%) in the CEF universe on March 31, while **NexPoint Strategic Opportunities Fund** (**NHF**, housed in the High Yield CEFs [Leveraged] classification) traded at the largest discount (-50.39%) at month end.

For the month, only 32% of all funds' discounts or premiums improved, while 68% worsened. In particular, 29% of equity CEFs and 35% of fixed income CEFs saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on March 31 (58) was three less than the number on February 28 (61).

CEF Events and Corporate Actions
IPOs

RiverNorth Capital Management, LLC, an investment management firm specializing in opportunistic strategies, announced the launch of the **RiverNorth Flexible Municipal Income Fund, Inc.** (**RFM**), a new municipal focused closed-end fund. RiverNorth will act as the investment advisor to the fund and MacKay Shields LLC will act as subadvisor. This is the third fund co-managed by the investment firms. The fund will use the load waived pricing structure pioneered by RiverNorth. As a result, investors will not pay any upfront expenses, which allows the fund to be priced at $20.00 per share, with an initial NAV of $20.00 per share. Trading on the New York Stock Exchange (NYSE) began on March 27, 2020.

Rights, Repurchases, Tender Offers

BlackRock Debt Strategies Fund, Inc. (**DSU**) announced the results of the third measurement period under its previously announced three-year discount management program. The program is part of the fund's ongoing efforts to enhance long-term shareholder value and provide liquidity to the market for its common shareholders. This was the final measurement period under the program.

As previously announced, under the program, the fund intends to offer to repurchase its common shares based on three three-month measurement periods if the fund's common shares trade at an average daily discount to NAV of greater than 7.5% during a measurement period. The fund's third measurement period commenced on December 2, 2019, and ended on February 28, 2020. The fund's board of directors determined that if a trigger event occurred during the third measurement period, the fund would offer to repurchase its outstanding common shares by conducting a tender offer for 5% of its outstanding common shares at a price equal to 98% of the fund's NAV per share as determined as of the close of the regular trading session of the NYSE on the day the tender offer expires. During the third measurement period, the fund's average daily discount to NAV was 8.5%. As a result, the fund expected to commence the tender offer on or about March 17, 2020, with the expiration of the tender offer anticipated to be on or about April 16, 2020.

Highland Capital Management Fund Advisors, L.P., announced that the board of trustees of the **Highland Global Allocation Fund** (**HGLB**) extended its repurchase program for a period of six months. The extension provides a six-month period in which the fund may repurchase up to approximately $18 million of shares in the open market pursuant to the same conditions as set forth in the Highland Funds II October 2018 definitive proxy statement. With the latest board extension, the fund's total repurchases may reach a maximum of $30 million. The extension period commenced March 3, 2020.

On March 16, 2020, the **Bancroft Fund Ltd.** (**BCV**) suspended until further notice the previously announced transferable rights offering that would allow the fund's common shareholders to acquire additional common shares.

BlackRock Debt Strategies Fund, Inc. (**DSU**) announced that it commenced a tender offer. As previously announced, the fund will purchase for cash up to 5% of its outstanding shares of common stock, at a price equal to 98% of the NAV per share, determined as of the close of the regular trading session on the NYSE the day the tender offer expires. The tender offer will expire on April 16, 2020, unless otherwise extended.

Mergers and Reorganizations

The Cushing Energy Income Fund (formerly known as the Cushing Royalty & Income Fund) (**SRF**) announced the decision of the fund's board of trustees reaffirmed its continued support for the proposed merger of the fund with and into **The Cushing MLP & Infrastructure Total Return Fund** (formerly known as The Cushing® MLP Total Return Fund) (**SRV**).

As previously announced, a joint special meeting of shareholders of SRV and SRF will be held on Friday, May 1, 2020, to consider the proposed merger of the funds. The board has reviewed the reasons for the merger, including the anticipated benefits to shareholders of each fund. The board reaffirmed its continued support for the proposed merger and its recommendation that shareholders of the fund vote "for" the merger.

The funds currently intend to hold the special meeting on the date scheduled and in person. However, the funds are actively monitoring the coronavirus (COVID-19) situation. The funds are sensitive to the public health and travel concerns shareholders may have and the protocols that federal, state, and local governments and health officials may impose or recommend. In the event the funds determine it is not possible or advisable to hold the special meeting in person, the funds will publicly announce alternative arrangements for the meeting as promptly as practicable before the special meeting, which may include holding the special meeting solely by means of remote communication.

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Brookfield Public Securities Group LLC announced that the reorganization of **Brookfield Global Listed Infrastructure Income Fund Inc.** (**INF**) into **Brookfield Real Assets Income Fund Inc.** (**RA**) was completed prior to the open of the NYSE on March 9, 2020. In the reorganization, RA acquired all of the assets and liabilities of INF in a tax-free transaction in exchange solely for newly issued RA common shares, which were distributed by INF to its stockholders in the form of a liquidating distribution. RA common shares issued to INF stockholders have an aggregate NAV equal to the aggregate NAV of INF's common shares outstanding as of the close of trading on March 6, 2020. Each stockholder of INF received the number of RA common shares corresponding to his or her proportionate interest in the common shares of INF, less the costs of the reorganization. Fractional common shares of RA were not issued and consequently cash will be distributed for any such fractional amounts. The conversion ratio was 0.62488632.

Other

Given unprecedented commodity price volatility, the portfolio management team of the **Goldman Sachs MLP & Energy Renaissance Fund** (**GER**) and **Goldman Sachs MLP Income Opportunities Fund** (**GMZ**) decided to effectively eliminate the net leverage of the funds. By terminating their fixed rate borrowings, the funds incurred significant interest rate breakage costs. The recent market volatility coupled with the effective elimination of leverage has resulted in a material impact to the funds' NAV. The portfolio management teams will continue to evaluate the distribution level of the funds in the coming quarters.

Recent market conditions, including the sharp sell-off of energy and energy-related securities, have led management to take certain actions impacting **Nuveen Energy MLP Total Return Fund** (**JMF**) and **Nuveen All Cap Energy MLP Opportunities Fund** (**JMLP**). Specifically, both funds are paying down a portion of their borrowings to reduce leverage ratios that have become elevated, especially in recent days, as a result of the sharp decline in the value of portfolio holdings. In the coming weeks and months, management and the funds' board of directors will evaluate the impact of these recent market events, portfolio actions, and the reduction of leverage, on the funds, including the distribution level of each fund.

Center Coast Brookfield MLP & Energy Infrastructure Fund (**CEN**) announced that its board of trustees, based upon the recommendation of Brookfield Public Securities Group LLC (PSG), the fund's advisor, and its portfolio management team, decreased the monthly distribution of the fund, effective April 2020. The change in the distribution for the fund takes into account many factors, including, but not limited to, the fund's current and expected earnings, the overall market environment, and PSG's current economic and market outlook. The fund declared a decrease to its monthly distribution from $0.1042 per share to $0.03 per share, payable on April 23, 2020, to stockholders of record on April 15, 2020. The ex-distribution date is April 14, 2020. Based on the NYSE closing price of $2.36 on March 11, 2020, the fund's annualized distribution rate was approximately 52.98%. The previously declared monthly distribution for March did not change.

The Cushing MLP & Infrastructure Total Return Fund (formerly known as The Cushing® MLP Total Return Fund) (**SRV**) announced the decision of the fund's board of trustees to revise the timing of the fund's distributions for the months of April and May 2020. During this period of market uncertainty, the fund's board has elected to defer the planned distributions for April and May 2020 in order to preserve the fund's available cash and provide the fund's portfolio management team with flexibility to prudently manage the fund's investment portfolio during this time of unprecedented market volatility. It is currently anticipated that the fund's monthly distribution schedule will resume in June 2020. The June distribution, if and when declared by the board, would be a replacement of the monthly distributions that would otherwise have been made in April and May. There was no change to the fund's previously declared March distribution, which was payable on March 31, 2020, to shareholders of record on March 16, 2020, in the amount of $0.0903 per common share.

Neuberger Berman MLP and Energy Income Fund Inc. (**NML**) announced that it has amended its leverage financing facility to bring the amount of available debt financing in line with the fund's current asset level. This reduction in leverage follows a period of extreme volatility and price depreciation in the market for master limited partnerships (MLPs) and other energy companies, which has affected the fund's NAV and caused the fund to reduce the amount of its outstanding borrowings. The fund also announced a reduction in its monthly distribution rate and declared a distribution of $0.0117 per share of common stock. The distribution announced is payable on April 30, 2020, has a record date of April 15, 2020, and has an ex-date of April 14, 2020. The fund reduced the amount of leverage employed in response to adverse market conditions for MLPs and other energy companies, the effect of such market conditions on the value of the fund's investments and its ability to comply with certain terms of the facility and the asset coverage requirements of the Investment Company Act of 1940, as amended. Under the amended terms of the facility, the lender's total commitment decreased to a $50 million revolving credit facility. As part of this amendment, the fund has repaid each of its two outstanding $50 million fixed-rate term loans that were due April 2020 and April 2022, respectively, and incurred certain costs associated therewith.

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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