The Month in Closed-End Funds: April 2020

Performance

For the first month in four, equity CEFs on average witnessed plus-side performance on both a NAV and market basis. They rose an eye popping 12.23% and 16.55%, respectively, for April—their strongest one-month average rise since April 30, 2009, and in more than 35 years, respectively. Meanwhile, for the fifth month in six, their fixed income CEF counterparts posted returns in the black on a NAV basis (but only to the tune of +0.72%), and for the first month in three on a market basis (+0.83%). However, year to date, the average equity and fixed income CEFs are still down 19.06% and 10.84%, respectively, on a NAV basis.

During the month, the major benchmarks won back some of the losses witnessed in March as investors cheered the Fed’s “whatever it takes” attitude, plans for soft economic reopenings, and declining hospitalization rates. However, near month crude oil prices tumbled to their lowest values during the month as global demand was on the decline and storage facilities became scarce. While the broad-based indices finished the last trading day of the month on a slight down note, several indices posted their strongest one-month returns since 1987. On the domestic side, the NASDAQ Composite index posted the strongest return for the month, rising 15.45% (its strongest since 2000), while the Dow Jones Industrial Average was the relative laggard, gaining 11.08% (its strongest returns since 1987).

At the beginning of the month, markets continued their slide after the U.S. reported its worst jobs report in 11 years, with more than 701,000 Americans losing their jobs in March and the unemployment rate rising to 4.4%. Most analysts felt the numbers are actually far worse than reported. Adding the most recent week’s first-time jobless claims of 6.64 million to the prior week’s report of 3.3 million could put the total in the 10 million range, with an unemployment rate closer to 10%. There were two bright spots in the first week. Oil rose 11.9% on the day to $28.34/bbl, and the March ISM nonmanufacturing index, while declining to 52.5, still showed signs of slow growth.

The following week, the S&P 500 posted its strongest one-week return in 45 years after the Federal Reserve Board rolled out its Main Street Lending Program. However, major swings in oil prices weighed on the energy sector after oil closed at $22.76/bbl. And near-month gold futures settled at their highest prices since November 2012. The next week, investors continued to push the broader markets higher after learning that Gilead’s coronavirus treatment appeared to be effective in a limited study and President Donald Trump outlined a three-step process to opening the U.S. economy.

Stocks slumped slightly the following week as investors carefully followed the mixed Q1 corporate earnings reports, which in general were beating analysts’ lowered expectations, but low or no forward guidance put a lid on celebrations. Losses were kept at bay after Trump signed into law the $484 billion COVID-19 aid package, which included additional funding for small businesses’ payroll protection plan. As was expected, March U.S. durable goods orders slumped 14.4%. And oil took another drubbing, despite quasi-successful oil reduction talks between Saudi Arabia and Russia, declining to $16.94/bbl. Stocks declined slightly at month end as investors weighed mixed corporate earnings and news that the U.S. was considering retaliation against China for its handling of COVID-19.

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- For the first month in four, equity closed-end funds (CEFs) on average posted positive returns, rising 12.23% on a net-asset-value (NAV) basis for April (its strongest one-month return since April 30, 2009), while for the fifth month in six, fixed income CEFs witnessed returns in the black (+0.72%).
- Only 14% of all CEFs traded at a premium to their NAV, with 16% of equity CEFs and 12% 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—277 basis points (bps) to 7.50%.
- Real Estate CEFs (+2.77%) was the relative laggard in the equity CEF universe for the month.
- Energy MLP CEFs (+43.67%, March’s laggard) and Natural Resources CEFs (+24.17) posted the strongest plus-side returns in the CEF universe.
- For the second month in a row, the municipal bond CEFs (-3.08%) macro-group posted returns in the red, with all nine classifications in the group, once again, posting losses for April.

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U.S. Treasury prices were mixed in the last trading week of April, with longer-dated Treasury yields finishing higher. The yield curve, however, finished the month a little flatter as the one-month Treasury yield witnessed the only increase for the month, up five basis points (bps) to 0.10%. The 20-year Treasury yield witnessed the largest decline, 10 bps to 1.05%. Municipal bond funds struggled during the month as investors continued to evaluate the liquidity, unfunded pension liabilities, possible decline in sales revenues, and creditworthiness of some municipalities. However, late in the month, the Fed said it’s expanding its municipal bond buying program and lending facility to include highly rated smaller counties and cities.

For April, the dollar strengthened against the euro (+0.83%), but weakened against the pound (-1.19%) and the yen (-0.47%). Commodity prices were mixed for the month, with near-month gold prices rising 7.02% to close the month at $1,694.5/ounce and front-month crude oil prices declining 3.42% to close at $19.78/barrel.

For the month, 70% of all CEFs posted NAV-based returns in the black, with 91% of equity CEFs and only 54% of fixed income CEFs chalking up returns in the plus column. For the first month in seven, Lipper’s domestic equity CEFs (+13.74%) outpaced its two equity-based brethren: world equity CEFs macro-group (+9.88%) and mixed-assets CEFs (+9.49%).

For the first month in four, the Energy MLP CEFs classification (+43.67%, March’s laggard [-63.74%]) outperformed all other equity classifications, followed by Natural Resources CEFs (+24.17%) and Sector Equity CEFs (+11.85%). Real Estate CEFs (+2.77%, March’s leader) was the relative laggard of the equity universe and was betted by Utility CEFs (+7.90%) and Options Arbitrage/Options Strategies CEFs (+7.98%). For the remaining equity classifications, returns ranged from 8.74% (Income & Preferred Stock CEFs) to 11.60% (Convertible Securities CEFs).

The 10-top CEF equity performers for April were all warehoused in Lipper’s Energy MLP CEF classification. At the top of the chart were Tortoise Midstream Energy Fund Inc. (NTG, April’s laggard), rising a mind-boggling 110.91% on a NAV basis and trading at an 8.62% discount on April 30; and Tortoise Energy Infrastructure Corp (TYG), gaining a whopping 77.92% and trading at a 17.55% discount at month end, posting the strongest returns in the equity universe. Both CEFs are still down year to date 79.92% and 70.24%, respectively. Following NTG and TYG were ClearBridge Energy Midstream Opportunity Fund Inc. (EMO), rising 70.69% and traded at a 16.84% discount on April 30; ClearBridge MLP and Midstream Total Return Fund Inc. (CTR), posting a 65.33% return and traded at an 18.24% discount at the month end; and ClearBridge MLP and Midstream Fund Inc. (CEM), gaining 62.99% and traded at a 17.63% discount on April 30.
For the month, the dispersion of performance in individual equity CEFs—ranging from negative 8.11% to positive 110.91%—was pointedly wider than March’s spread and significantly more skewed to the plus side. The top-20 performing equity CEFs posted returns at or above 29.09%, while the 20-lagging equity CEFs were at or below minus 0.16%.

For the month, only 23 CEFs in the equity universe posted negative returns. Fourteen of the worst performing funds were housed in the Real Estate CEFs classification, with Principal Real Estate Income Fund (PGZ) posting the worst return in the equity CEF universe, shedding 81.1% of its March-closing NAV, and traded at a 15.06% discount on April 30. The second worst performing CEF was CC Real Estate Income Fund, Adv Shares (XNVFX), an interval hybrid CEF, declining 2.12% for the month.

The Treasury yield curve shifted slightly lower at all maturities except the one-month (which rose five bps to 0.10%). The 10-year Treasury yield declined six bps for the month to 0.58% on April 21. For the first month in five, domestic taxable bond CEFs moved to the top of the leaderboard, posting a 3.50% return on average, followed by world income CEFs (+3.22%) and municipal debt CEFs (+3.08%).

Investors became slightly more risk seeking during the month, pushing Corporate Debt BBB-Rated CEFs (Leveraged) (+5.37%) to the top of the leaderboard, followed by Corporate Debt BBB-Rated CEFs (+4.67%) and Loan Participation CEFs (+3.97%). U.S. Mortgage CEFs (+1.02%) suffered the only decline of the domestic taxable fixed income group and was battered by General Bond CEFs (3.13%). On the world income side, relative strong performance from Global Income CEFs (+3.77%) and Emerging Markets Hard Currency Debt CEFs (+2.06%) kept the subgroup in positive territory for April.

For the second consecutive month, the municipal debt CEFs macro-group posted a negative return (-3.08%) on average, with all nine classifications in the group, once again, experiencing returns in the red for April. The Intermediate Municipal Debt CEFs (-1.61%), General & Insured Municipal Debt CEFs (-2.02%), and California Municipal Debt CEFs (-2.55%) classifications did a better job mitigating losses than the other classifications in the subgroup, while New Jersey Municipal Debt CEFs (-3.62%) was the laggard. National municipal debt CEFs (-3.20%) underperformed their single-state municipal debt CEF counterparts (-2.90%) by about 30 bps.

The six 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 BlackRock Multi-Sector Income Trust (BIT), housed in the General Bond CEF classification, returning 11.47% and traded at a 10.29% discount on April 30; XAI Octagon Floating Rate & Alternative Income Term Trust (XFLT), March’s laggard, housed in the Loan Participation CEFs classification, returning 9.03% and traded at a 5.44% discount at month end; and BlackRock Credit Allocation Income Trust (BTZ), housed in the Corporate Debt BBB-Rated CEFs (Leveraged) classification) returning 8.87% and traded at a 6.59% discount on April 30. Following those three were Blackstone/GSO Long-Short Credit Income Fund (BGX), also warehoused in the Loan Participation CEFs classification), posting an 8.16% return and traded at a 10.31% discount at month end; and Aberdeen Income Credit Strategies Fund (ACP), warehoused in the High Yield CEFs (Leveraged) classification, adding 8.05% to its March month-end value and traded at a 10.61% discount on April 30.

For the remaining funds in the fixed income CEF universe, monthly NAV-based performance ranged from minus 11.76% for Invesco High Income 2024 Target Term Fund (IHTA), housed in Lipper’s U.S. Mortgage CEFs classification and traded at a 7.64% discount on April 30 to positive 7.80% for John Hancock Investors Trust (JHI), housed in Lipper’s General Bond CEFs classification). The 20 top-performing fixed income CEFs posted returns at or above 6.94%, while the 20 lagging CEFs posted returns at or below minus 4.33% for the month. There were 192 fixed income CEFs that witnessed plus-side NAV-based performance for April.

Premium and Discount Behavior

For April, the median discount of all CEFs narrowed 42 bps to 9.36%—wider than the 12-month moving average median discount (7.04%). Equity CEFs’ median discount widened 14 bps to 10.98%, while fixed income CEFs’ median discount narrowed 58 bps to 8.53%. World income CEFs’ median discount witnessed the largest narrowing among the CEF macro-groups—277 bps to 7.50%—while the national municipal debt CEFs macro-group witnessed the largest widening of discounts—128 bps to 7.81%.

Gabelli Utility Trust (GUT), housed in the Utility CEFs classification) traded at the largest premium (+76.26%) in the CEF universe on April 30, while Highland Global Allocation Fund (HGLB, housed in the Global CEFs classification) traded at the largest discount (-46.52%) at month end.

For the month, 58% of all funds’ discounts or premiums improved, while 42% worsened. In particular, 61% of equity CEFs and 56% of fixed income CEFs saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on April 30 (66) was eight more than the number on March 31 (58),
CEF Events and Corporate Actions

IPOs

Two existing interval funds launched new share classes in April. The BlackRock Credit Strategies Fund, A Shares (CRDAX) is a newly organized, non-diversified, closed-end investment management company that operates as an interval fund and is warehoused in Lipper’s General Bond CEFs classification. The fund’s investment objective is to provide high income and attractive risk-adjusted returns. Under normal conditions, the fund intends to invest at least 80% of its managed assets in fixed-income securities, with an emphasis on public and private corporate credit. The CION Ares Diversified Credit Fund, U2 Shares (CADSX) is a continuously offered, diversified, unlisted closed-end investment management company that is structured as an interval fund and is also housed in Lipper’s General Bond CEFs classification. The fund’s investment objective is to provide superior risk-adjusted returns across various market cycles by investing in a globally diversified portfolio of liquid and illiquid credit assets.

Rights, Repurchases, Tender Offers

Western Asset Middle Market Income Fund Inc. (WWMFX) announced the final results of its issuer tender offer for up to 2.5% of the outstanding shares—5,175 shares of the fund—at a price equal to the fund’s NAV per share on the day on which the tender offer expired. As described in the offer, 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 April 6, 2020.

A total of 12,460 shares were duly tendered and not withdrawn. Because the number of shares tendered exceeded 5,175 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. Accordingly, on a pro rata basis, approximately 41.5% of shares for each stockholder who properly tendered shares have been accepted for payment. The purchase price of properly tendered shares is $505.38 per share, equal to the per share NAV as of the close of the regular trading session of the New York Stock Exchange (NYSE) on April 6, 2020. The fund expects to transmit payment to purchase the duly tendered and accepted shares on or about April 9, 2020.

BlackRock Debt Strategies Fund, Inc. (DSU) announced the final results of the fund’s tender offer for up to 5% of its outstanding shares, or 2,470,791 shares. The tender offer commenced on March 17, 2020, and expired on April 16, 2020. There were 17,034,684 shares that were properly tendered. Because the tender offer was oversubscribed, the relative number of shares that will be purchased from each stockholder will be prorated based on the number of shares properly tendered. The purchase price of properly tendered and accepted shares was 98% of the fund’s NAV, or $10.2018 per share, as of the close of regular trading on the NYSE on April 16, 2020, the day the tender offer expired. The proration factor was 0.14507726.

Mergers and Reorganizations

Nuveen Energy MLP Total Return Fund (JMF) and the Nuveen All Cap Energy MLP Opportunities Fund (JMLP) previously announced that both funds intend to liquidate and distribute their net assets to shareholders. The funds anticipate making a single liquidating distribution to shareholders in cash on or about May 8, 2020. As planned, the funds continued trading on the NYSE through May 4, 2020, and were suspended from trading before the open of trading on May 5, 2020, after which time there will be no secondary market for the funds’ shares. The Board of Trustees approved the liquidation and termination of both funds on or about May 8, 2020.

As was previously announced, on February 18, 2020, Franklin Resources, Inc. and Legg Mason, Inc. announced that they have entered into a definitive agreement for Franklin Resources to acquire Legg Mason in an all-cash transaction. The funds’ investment manager, Legg Mason Partners Fund Advisor, LLC, is a wholly owned subsidiary of Legg Mason and would become a wholly owned subsidiary of Franklin Resources as a result of the transaction. The funds are subadvised by other affiliates of Legg Mason that also would be acquired by Franklin Resources as a result of the transaction.

The transaction is subject to approval by Legg Mason’s shareholders and customary closing conditions, including receipt of applicable regulatory approvals. Subject to such approvals and the satisfaction of the other conditions, the transaction is expected to be consummated in the latter part of 2020.

Under the Investment Company Act of 1940, as amended, consummation of the transaction will result in the automatic termination of the management and subadvisory agreement(s). Therefore, each fund’s board of directors has approved new management and subadvisory agreement(s) that will be presented to the stockholders of the funds for their approval.

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Closed-end funds advised by Legg Mason Partners Fund Advisor, LLC, that announced board approval of new management and subadvisory contracts: ClearBridge MLP and Midstream Fund Inc. (EMO), ClearBridge Energy Midstream Opportunity Fund Inc. (CTR), BrandywineGLOBAL - Global Income Opportunities Fund Inc. (BGW), LMP Capital and Income Fund Inc. (SCD), Western Asset Corporate Loan Fund Inc. (TLI), Western Asset Emerging Markets Debt Fund Inc. (EMD), Western Asset Global Corporate Defined Opportunity Fund Inc. (GDO), Western Asset Global High Income Fund Inc. (EHJ), Western Asset High Income Fund II Inc. (HIX), Western Asset High Income Opportunity Fund Inc. (HIO), Western Asset High Yield Defined Opportunity Fund Inc. (HYY), Western Asset Intermediate Muni Fund Inc. (SBI), Western Asset Investment Grade Defined Opportunity Trust Inc. (IGI), Western Asset Managed Municipal Funds Inc. (MMU), Western Asset Middle Market Debt Fund Inc. (XWAMX), Western Asset Middle Market Income Fund Inc. (XWFMX), Western Asset Mortgage Opportunity Fund Inc. (DOMO), Western Asset Municipal Defined Opportunity Trust Inc. (MTT), Western Asset Municipal High Income Fund Inc. (MHF), Western Asset municipal Partners Fund Inc. (MNP), and Western Asset Variable Rate Strategic Fund Inc. (GFY).

The Nuveen High Income 2020 Target Term Fund (JHY) has entered the wind-up period in anticipation of its termination date. The fund is a “target term” fund that will cease its investment operations and liquidate its portfolio on November 1, 2020, and distribute the net proceeds to shareholders unless the term is extended for a period of up to six months by a vote of the fund’s board of trustees. The fund has the investment objective to provide a high level of current income and to return the fund’s original $9.85 NAV to shareholders at termination. Recent market conditions have materially increased the risk associated with achieving the fund’s objective to return original NAV.

During the wind-up period, the fund may deviate from its investment objectives and policies, and may invest up to a 100% of its managed assets in high quality, short-term securities. High quality, short-term securities for this fund include securities rated investment grade (BBB-/Baa3 or higher or unrated but judged by the fund’s subadvisory to be of comparable quality) with a final or remaining maturity of 397 days or less. Consequently, for the remainder of its term, the fund will invest at least 80% of its managed assets in (i) below investment grade securities and (ii) short-term investment grade securities that have a final or remaining maturity of 397 days or less, so long as the maturity of any security in the fund does not occur later than May 1, 2021. These expanded investment parameters currently will provide the fund additional flexibility to reinvest the proceeds of matured or called portfolio securities in higher quality, short-term securities. As the fund gets closer to its termination date, the fund will begin to affirmatively transition its remaining below investment grade portfolio holdings to such high quality, short-term securities to enhance its ability to efficiently liquidate its portfolio at termination.

Other

Kayne Anderson Midstream/Energy Fund, Inc. (KMF) announced that it has completed its planned reduction in leverage levels. On April 24, 2020, the fund utilized a portion of its cash on hand to redeem $70 million of unsecured senior notes and $35 million of mandatory redeemable preferred shares (MRP shares). These negotiated repurchases were the result of constructive discussions between the fund and its note holders and preferred investors. As a result of these repurchases, the fund is currently in compliance with all the applicable 1940 Act leverage tests, as well as the covenants on its debt agreements and terms of its preferred stock. The fund’s previously announced distribution of $0.075 per share was paid on April 30, 2020.

In response to the market volatility experienced during March and April, the fund reduced leverage by approximately $149 million, or 54%, relative to February levels. As of April 24, 2020, the fund had $127 million of leverage outstanding, consisting of $87 million of notes and $40 million of MRP shares. The fund had $43 million in cash and no borrowings outstanding on its unsecured revolving credit facility. In conjunction with the fund’s reduction in leverage levels over the last two months, it amended the terms of this facility to reduce the size of its available commitment from $100 million to $75 million.

As of April 24, 2020, the fund’s asset coverage ratio under the 1940 Act with respect to senior securities representing indebtedness was 414% and the fund’s asset coverage ratio under the 1940 Act with respect to total leverage was 283%.


The fund’s NYSE symbol, NFJ, and the fund’s CUSIP number, 01883A107, will not change. Additionally, there are no changes to the fund’s investment objectives, investment strategies, or the fund’s investment teams associated with the name change.

The board of trustees of Eaton Vance High Income 2021 Target Term Trust (EHT) approved a change to the trust’s investment policies effective immediately. The trust’s investment objectives are high current income and to return $9.85 per share (the original NAV per common share) before deducting offering costs of $0.02 per share (original NAV) to common shareholders on or about July 1, 2021. The objective to return the trust’s original NAV is not an express or implied guarantee obligation of the trust or any other entity. The trust seeks to achieve its investment objectives by investing, under normal circumstances, at least 80% of its managed assets in corporate debt obligations and separately, at least 80% of its managed assets in corporate debt obligations that, at the time of investment, are rated below investment grade (BB+ or lower) or are unrated or deemed equivalent by the advisor (high yield obligations), commonly referred to as “junk bonds.” Pursuant to its revised policies, the current separate requirement to invest 80% of its managed assets in high yield obligations is eliminated and the trust will invest, under normal
circumstances, at least 80% of its managed assets in corporate debt obligations, including high yield obligations.

Goldman Sachs Asset Management (GSAM), investment advisor for the Goldman Sachs MLP Income Opportunities Fund (GMZ) and Goldman Sachs MLP and Energy Renaissance Fund (GER), announced that GMZ effected a 7-for-1 reverse share split and GER effected a 9-for-1 reverse share split for each fund’s issued and outstanding common shares effective after the market close on April 13, 2020. The funds’ common shares began trading on a split-adjusted basis when the market opened on April 14, 2020.

Common shares of GMZ and GER will continue to trade on the NYSE under the symbols “GMZ” and “GER,” respectively, but under new CUSIP numbers: 38147W202 and 38148G206, respectively. No fractional shares have been or will be issued in connection with the reverse share splits. Instead, shareholders who would otherwise be entitled to receive fractional shares, including through the funds’ dividend reinvestment programs, will receive a proportional cash payment once the reverse share splits are processed by the funds’ exchange agent. The changes resulting from the reverse share splits will be automatically reflected in the funds’ records and no additional action needs to be taken by shareholders. The reverse share splits do not impact any shareholder’s ownership percentage in the funds or his or her voting power, except for minimal effects resulting from the treatment of fractional shares. As a result of the reverse share splits, the numbers of outstanding common shares of GMZ and GER have been reduced by a factor of seven and nine, respectively.

Aberdeen Japan Equity Fund, Inc. (JEQ) announced that its board of directors has approved changes to the fund’s fundamental investment restriction related to borrowing, which is subject to stockholder approval. If approved by stockholders, it is currently expected that the changes to the fund’s fundamental investment restriction related to borrowing will be implemented in the second quarter of 2020. Aberdeen Standard Investments (Asia) Limited, the fund’s investment manager, and the board each believe that the proposed changes to the fund’s fundamental investment restriction related to borrowing are in the best interests of the fund’s stockholders.

The fund also announced that certain updates have been made to its principal investment strategies to (i) remove a minimum market cap restriction of 30 billion yen related to securities in which the fund is permitted to invest to provide the portfolio management team more flexibility to invest in small-cap companies and (ii) to describe the manager’s evaluation of long-term value by examining a spectrum of considerations such as governance and risk management, including those risks often referred to as environmental, social and governance factors (“ESG”) and (iii) revise disclosure relating to temporary investments to bring the fund in line with other U.S. registered funds and provide the portfolio management team with more flexibility to invest in cash and cash equivalents during stressed market conditions. These changes will take effect immediately.

Currently, the fund is subject to a fundamental investment restriction that does not permit borrowing for investment purposes, commonly referred to as leverage. Under the proposed fundamental investment restriction related to borrowing, the fund would be permitted to borrow for investment purposes as may be permitted by the Investment Company Act of 1940, or any rule, order or interpretation thereunder. This would allow the fund to borrow for investment purposes in an amount up to 33.3% of the fund’s total assets. If the proposal is approved by the fund’s shareholders, the portfolio management team currently anticipates using leverage, under normal circumstances, in the amount of approximately 10%-15% of the fund’s total assets over the longer term.

The fund may invest without limit in the equity securities of companies of any size, including small-cap and mid-cap companies. Generally, the fund will be fully invested in accordance with its investment objective and strategies; however, for purposes of settlement, meeting expenses, paying dividends or other cash management purposes, or if the fund’s investment manager believes that business, economic, political or financial conditions warrant, the fund may invest without limit in cash, cash equivalents, or other short-term obligations.

Tortoise announced it had completed leverage reductions for Tortoise Energy Infrastructure Corp (TYG), Tortoise Midstream Energy Fund, Inc. (NTG), and Tortoise Pipeline & Energy Fund, Inc. (TTP), which results in each company being in compliance with all applicable 1940 Act leverage tests, as well as the covenants on its debt agreements and the terms of its preferred stock. Leverage has been reduced by utilizing cash raised through trading activity in a manner that minimized prepayment premiums in order to maximize shareholder value. Cash remains on company balance sheets that could be used to further reduce leverage. At this point, all Tortoise closed-end funds are in compliance with the 1940 Act leverage tests.

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