The Month in Closed-End Funds: November 2020

Performance

For the first month in three, equity CEFs on average witnessed plus-side performance on both a NAV and market basis, rising 9.86% and 16.26% (their strongest one month returns since April), respectively. Meanwhile, for the eighth month in a row their fixed income CEF counterparts posted returns in the black on a NAV basis (+3.51%), while for the first month three they were in the black on a market basis (+6.24%). Year to date, equity CEFs remained in negative territory, declining 1.56%, while their fixed income counterparts posted positive returns, gaining 2.37%. For the three-month return period performance, the average equity and fixed income CEF gained 6.46% and 3.56%, respectively, on a NAV basis.

U.S. stocks started the month of November with bang despite uncertainty around the presidential vote and a surge in COVID-19 cases. Investors pushed the markets to their best weekly return since April on expectations of a Joe Biden win coupled with diminishing chances of a Democratic takeover of the Senate. During the week, investors cheered a better-than-expected jobs report which showed the U.S. economy regained jobs. The Department of Labor announced the U.S. economy had added 638,000 new jobs for October, beating analyst expectations of 503,000. The unemployment rate declined to 6.9% from 7.9% in September. However, the U.S. witnessed a record one-day rise in coronavirus cases and near-month oil prices declined to $37.14 per barrel amid rising case counts.

The following week, the U.S. broad-market indices hit new record highs as investors embraced out-of-favor issues over the “stay-at-home” stocks after Pfizer and BioNTech announced a promising vaccine. The Russell 2000 small-cap index closed at record highs for the week despite the U.S. setting a one-day record number of COVID-related hospitalizations and consumer sentiment dropped to 77 in November from 81.8 in October.

For the week ended November 20, stocks closed on a down note as rising COVID cases weighed on investors and the Department of the Treasury announced its decision to allow some emergency Federal Reserve programs to expire. Nonetheless, near-month oil futures rose for the week on hopes of a vaccine-related economic recovery.

Toward month end, the S&P 500 and the NASDAQ composite booked record closing highs on Black Friday even after the U.S. and other countries announced new COVID-19 related business and consumer restrictions.

On the last trading day of the month, the U.S. markets ended lower after chalking up their strongest monthly returns since 1987. The Dow Jones Industrial Average declined 271.73 points on the day as the potential of further fiscal stimulus talks were failing to yield results and after investors learned that October pending home sales fell for the second month in a row. Even so, near month gold prices closed at a five-month low.
Despite some mild swings in Treasury prices during the month, Treasury yields closed the month relatively unchanged. Longer-dated maturities witnessed the largest declines in yield, with the 30-year Treasury yield declining seven basis points to 1.58%. Meanwhile, the two-year yield witnessed the only increase for the month, rising two bps to 0.16%.

During the month, the dollar weakened against the euro (-2.46%), the pound (-2.94%), and the yen (-0.27%). Commodity prices were mixed for the month, with near-month gold prices falling 5.42% to close the month at $1,775.70 per ounce and front-month crude oil prices gaining 26.68% to close at $45.34 per barrel.

For the month, 99% of all CEFs posted NAV-based returns in the black, with 99% of equity CEFs and 98% of fixed income CEFs chalking up returns in the plus column. For the first month in three, Lipper’s world equity CEFs macro-group (+11.64%) outpaced its two equity-based brethren: domestic equity CEFs (+9.88%) and mixed-assets CEFs (+7.92%).

The Energy MLP CEFs classification (+19.34%) for the second consecutive month outperformed all other equity classifications, followed by Natural Resources CEFs (+16.97%) and Developed Markets CEFs (+14.28%, October’s laggard). Real Estate CEFs (+3.70%) posted the weakest returns in the equity universe and was bettered by Income & Preferred Stocks CEFs (+6.38%) and Utility CEFs (+8.92%). For the remaining equity classifications, returns ranged from 8.92% (Options Arbitrage/Options Strategies CEFs) to 12.18% (Convertible Securities CEFs).

Eight of the 10 top performing CEFs for November were warehoused in Lipper’s Energy MLP CEF classification. At the top of the chart was ClearBridge Energy Midstream Opportunity Fund Inc. (EMO), rising 36.03% on a NAV basis and traded at a 25.86% discount on November 30. Following EMO were ClearBridge MLP and Midstream Fund Inc. (CEM), gaining 34.84% and traded at a 19.22% discount at month end; ClearBridge MLP and Midstream Total Return Fund Inc. (CTR), rising 32.09% and traded at a 21.05% discount on November 30; Cohen & Steers MLP Income and Energy Oppty Fund (MIE), posting a 27.95% return and traded at a 18.08% discount at month end; and First Trust Specialty Finance & Financial Opportunities Fund (FGB, housed in the Sector Equity CEFs classification), gaining 26.35% and traded at a 4.65% discount on November 30.

For the month, the dispersion of performance in individual equity CEFs—ranging from negative 29.54% to positive 36.03%—was significantly wider than October’s spread and much more skewed to the positive side. The 20 top-performing equity CEFs posted returns at or above 20.47%, while the 20 lagging equity CEFs were at or below 1.31%.
For the month, only one CEF in the equity universe posted negative returns. The worst performing fund was housed in the Energy MLP CEFs classification. At the bottom of the heap was Fiduciary/Claymore Energy Infrastructure Fund (FMO), shedding 29.54% of its October-closing NAV and traded at a 13.46% discount at month end. The second worst performing equity CEF was US Core Real Estate Fund, IS Class (USGXS, an interval hybrid CEF housed in Lipper’s Real Estate CEFs classification), posting a 0.24% return for the month.

Given the uncertainty of future stimulus, the Treasury yield curve remained stagnant for the month with a slight shift downward at the long end of the curve. The 10-year Treasury yield declined by four bps to 0.84%. The two- and 10-year Treasury yield spread (68 bps) declined six bps for November. For the first month in four, world income CEFs moved to the top of the charts, posting a 5.14% return on average, followed by domestic taxable fixed income CEFs (+3.97%) and municipal bond CEFs (+2.68%).

Fixed income investors were generally more risk seeking and in search of yield during the month, pushing High Yield CEFs (Leveraged) (+4.62%) to the top of the domestic taxable fixed income leaderboard for the first month in four, followed by General Bond CEFs (+4.37%) and High Yield CEFs (+4.09%). U.S. Mortgage CEFs (+2.39%) posted the weakest returns of the group and was bettered by Corporate Debt BBB-Rated CEFs (+2.82%). On the world income side, strong performance from Emerging Markets Hard Currency Debt CEFs (+6.07%) and Global Income CEFs (+4.75%) catapulted the sub-group to the top of the charts for November.

For the first month in four, the municipal debt CEFs macro-group posted a plus-side return (+2.68%) on average, with all nine of the classifications in the group experiencing returns in the black for November. The General & Insured Municipal Debt CEFs (Leveraged) (+2.97%), High Yield Municipal Debt CEFs (+2.81%), and California Municipal Debt CEFs (2.80%) classifications posted the strongest returns in the group, while Intermediate Municipal Debt CEFs (+1.33%) was the relative group laggard. National municipal debt CEFs (2.78%) outpaced their single-state municipal debt CEF counterparts (+2.54%) by 24 bps for the month.

Three of the five 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 was PIMCO High Income Fund (PHK, housed in the General Bond CEFs classification), returning 10.08% and traded at a 4.79% premium on November 30. Following PHK were Stone Harbor Emerging Markets Total Income Fund (EDI), warehoused in the Emerging Markets Hard Currency Debt CEFs classification, returning 9.78% and traded at a 4.54% premium at month end; Aberdeen Income Credit Strategies Fund (ACP, housed in the High Yield CEFs [Leveraged] classification), returning 9.68% and traded at a 6.17% discount at month end; Barings Global Short Duration High Yield Fund (BGH, also housed in the High Yield CEFs [Leveraged] classification), posting a 9.61% return and traded at a 10.63% discount on November 30; and Stone Harbor Emerging Markets Income Fund (EDF, housed in the Emerging Markets Hard Currency Debt CEFs classification), adding 9.59%

to its October month-end value and traded at a 5.11% premium at month end.

For the remaining funds in the fixed income CEF universe, monthly NAV-based performance ranged from negative 1.30% for GL Beyond Income Fund (GLBFX, an interval hybrid CEF housed in Lipper’s General Bond CEFs classification) to positive 9.28% for PIMCO Corporate & Income Opportunity Fund (PTY, also housed in Lipper’s General Bond CEFs classification and traded at a 26.09% premium on November 30). The 20 top-performing fixed income CEFs posted returns at or above 6.90%, while the 20 lagging CEFs posted returns at or below 0.82% for the month. There were only four fixed income CEFs that witnessed negative NAV-based performance for November.

Premium and Discount Behavior

For November, the median discount of all CEFs narrowed 260 bps to 7.40%—narrower than the 12-month moving average median discount (8.38%). Equity CEFs’ median discount narrowed 271 bps to 11.16%, while fixed income CEFs’ median discount narrowed 182 bps to 6.45%. High yield and domestic equity CEFs’ median discounts witnessed the largest narrowing among the CEF macro-groups—416 bps to 6.98% and 401 bps to 9.02%, respectively—while the single state municipal bond CEFs macro-group witnessed the smallest narrowing of discounts—82 bps to 8.08%.

Gabelli Utility Trust (GUT, housed in the Utility CEFs classification) traded at the largest premium (+88.24%) in the CEF universe on November 30, while NexPoint Strategic Opportunities Fund (NHF, housed in the High Yield CEFs [Leveraged] classification) traded at the largest discount (-43.49%) at month end.

For the month, 90% of all funds’ discounts or premiums improved, while 10% worsened. In particular, 91% of equity CEFs and 88% of fixed income CEFs saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on November 30 (76) was 24 more than the number on October 30 (52).
CEF Events and Corporate Actions

IPOs

Central Park Park, Group, LLC, an independent investment advisory firm delivering access to institutional hedge fund, private equity, real estate and fund-of-funds talent for private clients, announced the launch of CPG Cooper Square International Equity, LLC (NASDAQ: XCSIX), an international (ex-US) long/short equity fund created for qualified individuals and smaller institutional investors. Select Equity Group, L.P., a manager of long/short and long-only equity portfolios, serves as subadvisor to CPG Cooper Square International Equity.

CPG Cooper Square International Equity offers a research-based approach to international investing that seeks maximum total return. It looks to invest in stable, high-growth potential businesses domiciled outside of the U.S. at significant discounts to intrinsic value. CPG Cooper Square International Equity seeks to invest in companies with predictable growth, high profitability, and strong competitive moats on the long side, and to short companies that exhibit inverse characteristics and deteriorating fundamentals.

CPG Cooper Square International Equity is registered under the Investment Company Act of 1940 as a non-diversified, closed-end investment management company and permits qualified clients, individuals with at least a $2.1 million net worth, and smaller institutions to invest in one of Select Equity Group’s flagship hedge fund strategies. The fund features 1099 tax reporting, a substantially reduced minimum investment of $50,000, and quarterly liquidity.

PGIM Short Duration High Yield Opportunities Fund (SDHY), a Maryland statutory trust, is a newly organized, diversified, closed-end investment management company. The fund’s investment objective is to provide total return through a combination of current income and capital appreciation. The fund seeks to achieve its objective by investing primarily in a diversified portfolio of high yield fixed income instruments that are rated below investment grade or considered non-investment grade. The fund raised approximately $475 million of proceeds in connection with the offering of its common shares for cash at a price equal to 96% of its NAV per share determined on November 10, 2020, or such later date to which the tender offer is extended. The tender offer will expire on December 10, 2020, unless the offer is extended.

Rights, Repurchases, Tender Offers

Neuberger Berman High Yield Strategies Fund Inc. (NHS) announced that it commenced a tender offer on November 10, 2020. As previously announced, the fund will purchase up to 25% of its outstanding shares of common stock for cash at a price equal to 96% of its NAV per share determined on December 10, 2020, or such later date to which the tender offer is extended. The tender offer will expire on December 10, 2020, unless the offer is extended.

Additional terms and conditions of the tender offer are set forth in the fund’s tender offer materials, which are being distributed to the fund’s common stockholders. If more than 25% of the fund’s outstanding common stock is validly tendered, and not withdrawn, the fund will purchase common stock from tendering stockholders on a pro rata basis. Accordingly, common stockholders cannot be assured that the fund will purchase all of their tendered common stock.

BlackRock Enhanced Government Fund, Inc. (EGF) announced the completion of its annual offer to repurchase a portion of its outstanding shares of common stock from its stockholders. Under the terms of the repurchase offer, the fund offered to repurchase up to 10% of its issued and outstanding shares of common stock for cash at a price equal to the fund’s NAV per share calculated as of the close of business of the NYSE on November 19, 2020 (subject to the repurchase fee of 2% of the NAV per share, which was deducted from the repurchase price).

As previously announced on November 18, 2020, the expiration date of the repurchase offer, Computershare Trust Company, N.A., the fund’s depositary agent, indicated that 1,202,530 shares (approximately 25% of the fund’s shares outstanding as of November 18, 2020) were validly submitted for tender and not withdrawn. Since more than 10% of the fund’s outstanding shares were validly submitted for tender, the fund repurchased validly tendered shares on a pro rata basis. However, the fund accepted all shares validly submitted for tender by stockholders who owned, beneficially or of record, an aggregate of not more than 99 shares and who validly tendered all of their shares, before pro rating shares validly tendered by other stockholders. Consequently, approximately 39% of shares validly submitted for tender were accepted for repurchase.

On November 19, 2020, and subject to pro ration as applicable, validly tendered shares were repurchased by the fund at $13.13 per share—the fund’s NAV per share determined as of 4 p.m. EST, Thursday, November 19, 2020 (subject to the repurchase fee). Shares validly tendered and accepted were not entitled to receive any fund dividend or distribution with a record date on or after November 24, 2020.

On November 23, 2020, the board of directors of DTF Tax-Free Income Inc. (DTF), a closed-end fund advised by Duff & Phelps Investment Management Co., authorized a cash tender offer for up to 17.5% of the
fund’s outstanding shares of common stock. The commencement of the tender offer will be announced at a later date.

In addition, the board of directors has also approved certain amendments to the fund’s charter which, if approved by the fund’s shareholders, will convert the fund from having a perpetual existence to having a seven-year term. The board of directors believes that such a change (1) is consistent with the fund’s fixed-income investment strategy and (2) will help reduce the current trading discount of the fund’s market price per share to the fund’s NAV per share over the remaining life of the fund. In addition, the commencement of the tender offer and the proposed conversion to a term fund are being made pursuant to a standstill agreement between the fund and a significant shareholder, Karpus Management Inc. The fund has been advised that Karpus will file a copy of the standstill agreement with the U.S. Securities and Exchange Commission (“SEC”) as an exhibit to an amended Schedule 13D.

**Mergers and Reorganizations**


Pursuant to the Investment Company Act of 1940, as amended, the consummation of the acquisition of Eaton Vance may be deemed to result in the automatic termination of each fund’s investment advisory agreement with Eaton Vance Management and, where applicable, any related subadvisory agreement. Therefore, each fund’s board of trustees has approved a new investment advisory agreement and, where applicable, a new subadvisory agreement to be effective upon consummation of the transaction. Each fund’s new investment advisory agreement and, where applicable, new subadvisory agreement will be presented to fund shareholders for approval at a joint special meeting of shareholders to be held on January 7, 2021. Shareholders of record of each fund at the close of business on October 29, 2020 who have voting power with respect to such shares are entitled to be present and to vote at the meeting.

Tortoise announced today that following a strategic review of the funds, the board of directors has approved a proposal to merge Tortoise Energy Independence Fund, Inc. (NDP) with and into Tortoise Pipeline & Energy Fund, Inc. (TTP). The newly combined fund will have an investment strategy to invest in those companies the team believes are in a position to benefit from the energy evolution taking place across the globe and be renamed The Tortoise Energy Evolution Infrastructure Fund. The fund will invest in global stocks that operate essential renewable and power infrastructure such as solar and wind generation, as well as energy infrastructure like liquefied natural gas export facilities. These sectors are transitioning the energy sector toward solar, wind, and natural gas and away from coal, accelerating the reduction of global CO2 emissions.

On completion of the proposed merger, the advisor intends to recommend that the board of directors increase the quarterly distribution to $0.1925 per share, an increase of 20.3%, beginning the fiscal second quarter of 2021. In addition, the advisor has agreed to lower its management fee 0.10% to 1.00% of average managed assets. The reduced management fee, and other expected cost savings, are estimated to be approximately $400,000 annually, or $0.10 per pro forma share. In addition to the estimated costs savings, the proposed merger may provide improved liquidity, long-term distribution growth potential, and a modest leverage profile.

**Western Asset Corporate Loan Fund Inc.** (TLI) announced that the fund liquidated as planned on November 20, 2020, and the proportionate interests of stockholders in the assets of the fund were determined as of that date. The fund’s liquidating distribution of $9,2109 per share was anticipated to be paid on or about November 30, 2020. Prior to the opening of business on November 23, 2020, the fund ceased trading on the NYSE.

**Other**

The bylaws of each of Western Asset Inflation-Linked Income Fund (WIA), Western Asset Inflation-Linked Opportunities & Income Fund (WIM), and Western Asset Premier Bond Fund (WEA) now include provisions pursuant to which, in summary, a shareholder who obtains beneficial ownership of fund shares in a “Control Share Acquisition” may exercise voting rights with respect to such shares generally only to the extent the authorization of such voting rights is approved by other shareholders of the fund. The control share acquisition amendment provides that any person who acquires beneficial ownership of shares in a control share acquisition ("acquiring person") will not be entitled to vote such shares unless the other shareholders of such fund authorize those voting rights at a meeting of shareholders by a vote of a majority of
the votes entitled to vote generally in the election of board members, excluding the acquiring person and any other holders of “interested shares” as defined in the bylaws. Generally, a control share acquisition occurs when an acquiring person obtains beneficial ownership of shares (in summary, direct or indirect sole or shared power to dispose of the shares or vote the shares) that, when aggregated with shares already beneficially owned by the acquiring person, would, but for the control share acquisition amendment, entitle such acquiring person to vote or direct the voting of shares having voting power in the election of board members within any of four ranges: one-tenth or more but less than one-fifth, one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority of all voting power. Persons acting in concert and affiliates are generally treated as a single acquiring person as further detailed in the control share acquisition amendment.

The control share acquisition amendment is intended to protect the interests of the fund and its shareholders by limiting the risk that the fund will become subject to undue influence by any person who makes a control share acquisition of fund shares. The control share acquisition amendment entrusts other “non interested” shareholders with determining whether to enfranchise any acquiring person with respect to shares acquired in a control share acquisition.

The above description of the control share acquisition amendment is only a high-level summary and does not purport to be complete. Investors should refer to the bylaws of each of Western Asset Inflation-Linked Income Fund, Western Asset Inflation-Linked Opportunities & Income Fund, and Western Asset Premier Bond Fund for more information, including definitions of key terms, various exclusions and exemptions from the control share acquisition amendment’s scope, and the procedures by which shareholders may approve voting rights of holders of shares with respect to shares acquired in a control share acquisition.

The Guggenheim Taxable Municipal Managed Duration Trust (GBAB) made modifications to certain non-fundamental investment policies along with a corresponding name change. The modifications are primarily intended to provide the trust with greater investment flexibility while remaining consistent with the trust’s overall investment objectives.

The trust expanded its non-fundamental 80% investment policy to include, in addition to taxable municipal securities, other investment grade, income-generating debt securities, including debt instruments issued by non-profit entities (such as entities related to healthcare, higher education and housing), municipal conduits, project finance corporations, and tax-exempt municipal securities. In addition to the 80% investment policy change, the trust (i) removed certain limitations on the composition of the other 20% of its net assets plus the amount of any borrowings for investment purposes ("managed assets"), (ii) removed the limitation on illiquid investments, (iii) added a policy to invest at least 50% of its managed assets in taxable municipal securities and (iv) changed the level at which the trust seeks to maintain its leverage-adjusted duration from generally less than 10 years to generally less than 15 years.

In connection with the investment policy modifications, the trust’s name changed to: Guggenheim Taxable Municipal Bond & Investment Grade Debt Trust. The trust will continue to trade on the NYSE under its current ticker symbol, GBAB.