

FUNDMARKET INSIGHT REPORT

REFINITIV LIPPER RESEARCH SERIES

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The Month in Closed-End Funds: March 2021

Performance

For the fifth month in a row, equity CEFs on average witnessed plus-side performance on a NAV and market basis, rising 2.77% and 4.03%, respectively. However, for the eleventh month in 12 their fixed income CEF counterparts posted returns in the black on a NAV basis (+0.45%) and for the fourth month in five on a market basis (+2.08%). For Q1, the average equity CEF gained 6.36% while the average fixed income CEF rose 1.10%.

In volatile trading, the U.S. markets began the month in the black as the rise in bond yields began to steady after the February nonfarm payrolls report handily beat analyst expectations, providing some evidence that the economy is recovering from the impact of COVID-19. However, earlier in the week the NASDAQ continued its slide, closing at a three-month low as the tech-heavy index approached and eventually fell into correction territory. The Department of Labor announced the U.S. economy had added 379,000 new jobs for February, beating analyst expectations of 210,000. The unemployment rate declined to 6.2% from 6.3% in January. Near-month oil futures continued their ascent, rising to \$66.09/barrel (bbl), while gold closed down at \$1,698.50/oz.

The following week, the Dow closed at a new record above the 32,000 mark as investors bet on additional market gains from the massive injection of cash after Congress passed a \$1.9 trillion spending package, which was signed into law by President Joe Biden. Investors continued to rotate out of stay-at-home stocks and into cyclical stocks.

The Dow snapped its four-day record-breaking winning streak as investors hit the pause button ahead of the Federal Open Market Committee (FOMC) meeting. Despite investors learning that about 32% of the U.S. population had received at least one vaccine dose according to the Centers for Disease Control and Prevention (CDC), news that February U.S. retail sales and industrial production declined cast a slight pall over the markets. Nonetheless, the Dow closed at a new record high, rising above the 33,000 mark for the first time in history (its fastest 1,000-point gain—in just five days—on record) after the Federal Reserve said it would hold interest rates near zero through 2023.

At month end, despite learning of weaker-than-expected reports of consumer spending and income and rising Treasury rates, investors pushed the NASDAQ above the 13,000 mark again after President Biden announced a new target for coronavirus vaccinations of 200 million doses during his first 100 days in office. On the last trading day of the month, the S&P 500 booked another record close as investors anticipated the announcement of Biden's \$2.3 trillion infrastructure proposal, perhaps providing another round of stimulus to the economy. The 10-year Treasury yield finished the month at 1.74%.

The Treasury yield curve steepened during the month as investors evaluated what a third round of stimulus, a new infrastructure spending plan, and the continuation of loose monetary policy might have on the economy. Once again, the Treasury yield curve witnessed declines at the short end, while at the long end, the 10-year yield witnessed the largest gain for the month, rising 30 bps to close the month at 1.74%. The two- and 10-year Treasury yield spread (158 bps) widened 28 bps for the month.

The Month in Closed-End Funds: March 2021

- For the fifth month in a row, equity closed-end funds (CEFs) on average posted positive returns, rising 2.77% on a net-asset-value (NAV) basis for March, while for the eleventh month in 12 fixed income CEFs posted plus-side returns (+0.45%).
- Twenty-four percent of all CEFs traded at a premium to their NAV, with 23% of equity CEFs and 25% of fixed income CEFs trading in premium territory. The taxable bond CEFs macro-classification witnessed the largest narrowing of discounts for the month among Lipper's CEF macro-groups—229 basis points (bps) to 2.87%.
- Utility CEFs (+8.33%) for the first month in 15 posted the strongest one-month returns of the equity classifications in the CEF universe for March.
- For the first month in five, the High Yield CEFs (+0.67%) classification posted the strongest plus-side returns in the taxable fixed income CEF universe for March.
- The municipal bond CEF macro-group (+1.00%) posted returns in the black for the fourth month in five, with all nine classifications chalking up positive returns.



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During the month, the dollar strengthened against the euro (+2.80%), the pound (+0.93%), and the yen (+3.78%). Commodity prices declined for the month, with near-month gold prices falling 1.11% to close the month at \$1,713.80 per ounce and front-month crude oil prices falling 0.99% to close at \$59.16/bbl.

For the month, 80% of all CEFs posted NAV-based returns in the black, with 84% of equity CEFs and 78% of fixed income CEFs chalking up returns in the plus column. For the third consecutive month, Lipper's domestic equity CEFs macro-group (+3.75%) outpaced its two equity-based brethren: world equity CEFs (+1.73%) and mixed-assets CEFs (+0.76%).

The Utility CEFs classification (+8.33%, February's laggard) for the first month in 15 outperformed all other equity classifications, followed by Energy MLP CEFs (+7.47%) and Natural Resources CEFs (+4.99%). Convertible Securities CEFs (-3.12%) posted the only declines in the equity universe and was bettered by Emerging Markets CEFs (+0.89%) and Sector Equity CEFs (+1.50%). For the remaining equity classifications, returns ranged from 1.86% (Global CEFs) to 4.03% (Diversified Equity CEFs).

Two of the five top performing CEFs for March were warehoused in Lipper's Energy MLP CEFs classification. However, at the top of the chart was **First Trust Energy Infrastructure Fund (FIF)**, warehoused in Lipper's Natural Resources CEFs classification, rising 11.93% on a NAV basis and traded at a 10.87% discount on March 31. Following FIF were **First Trust New Opportunities MLP & Energy Fund (FPL)**, housed in the Energy MLP CEFs classification, gaining 11.22% and traded at a 9.81% discount at month end; **Mexico Equity & Income Fund Inc. (MXE)**, housed in the Emerging Markets CEFs classification, rising 10.99% and traded at a 17.87% discount on March 31; **First Trust MLP and Energy Income Fund (FEI)**, also housed in the Energy MLP CEFs classification, posting an 10.89% return and traded at a 10.49% discount at month end; and **DNP Select Income Fund Inc. (DNP)**, housed in the Utility CEFs classification, gaining 10.83% and traded at a 6.05% premium on March 31.

For the month, the dispersion of performance in individual equity CEFs—ranging from negative 6.91% to positive 11.93%—was much narrower than February's spread and slightly more skewed to the positive side. The 20 top-performing equity CEFs posted returns at or above 8.81%, while the 20-lagging equity CEFs were at or below negative 2.82%.

For the month, 42 CEFs in the equity universe posted negative returns. Two of the five worst performing funds were housed in the Global CEFs classification. However, at the bottom of the heap was **Templeton Dragon Fund Inc. (TDF)**, warehoused in the Emerging Markets CEF classification, shedding 6.91% of its February-closing NAV and traded at a 5.00% discount

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	84	67	33	23	77
Bond CEFs	78	85	15	25	75
ALL CEFs	80	77	23	24	76

TABLE 2
AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	MARCH	YTD	3-MONTH	CALENDAR-2020
Equity CEFs	2.77	6.36	6.36	2.34
Bond CEFs	0.45	1.10	1.10	4.33
ALL CEFs	1.43	3.31	3.31	3.48

TABLE 3
NUMBER OF IPOs, YTD VERSUS PRIOR YEAR

	MARCH 2021	CALENDAR-2020
Conventional CEFs	3	10
Interval CEFs	1	19

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

THREE MONTHS THROUGH 2/28/2021	1,220
COMPARABLE YEAR-EARLIER THREE MONTHS	1482
CALENDAR 2020 AVERAGE	848

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

	MARCH 2021	CALENDAR-2020
ALL CEFs	13	30

TABLE 6
MEDIAN PREMIUMS AND DISCOUNTS (%)

	31-DEC	29-JAN	26-FEB	31-MAR
Equity CEFs	-10.34	-10.13	-8.11	-6.80
Bond CEFs	-5.79	-6.13	-4.94	-3.50
ALL CEFs	-6.91	-7.29	-5.60	-4.63

Source: Refinitiv Lipper, an LSEG Business

on March 31. The second worst performing equity CEF was **BlackRock Science and Technology Trust II (BSTZ)**, housed in the Sector Equity CEFs classification), posting an 6.75% loss and traded at a 6.47% discount at month end.

Given the likelihood of a new infrastructure spending package being signed into law under the Biden administration, the Treasury yield curve steepened for the month. The 10-year Treasury yield rose by 30 bps to 1.74% on March 19 and March 31, the highest closing value since January 23, 2020. The one- and two-month Treasury yields witnessed the largest declines for the month, both falling three bps to 0.01%. The two- and 10-year Treasury yield spread (158 bps) widened 28 bps for March. For the second month in three, the municipal bond CEFs macro-group jumped to the top of the charts, posting a 1.00% return on average, followed by domestic taxable fixed income CEFs (+0.23%) and world income CEFs (-0.87%).

Fixed income investors were in search of yield, continuing to rotate out of some of the quality issues. They pushed High Yield CEFs (+0.67%) to the top of the domestic taxable fixed income leaderboard for the first month in five, followed by High Yield CEFs (Leveraged) (+0.49%) and Loan Participation CEFs (+0.32%). Once again, Corporate Debt BBB-Rated CEFs (-1.09%) posted the weakest returns of the group and was bettered by Corporate Debt BBB-Rated CEFs (Leveraged) (-0.49%). On the world income side, poor performance from Emerging Markets Hard Currency Debt CEFs (-2.01%) and Global Income CEFs (-0.42%) weighed on the sub-group.

For the fourth month in five, the municipal debt CEFs macro-group posted a positive return (+1.00%) on average, with all nine of the classifications in the group experiencing plus-side returns for March. The High Yield Municipal Debt CEFs (+1.13%), General & Insured Municipal Debt CEFs (Leveraged) (+1.07%), and California Municipal Debt CEFs (+1.06%) classifications posted the strongest returns in the group, while General & Insured Municipal Debt CEFs (+0.69%) was the group relative laggard. National municipal debt CEFs (+1.04%) outpaced their single-state municipal debt CEF counterparts (+0.92%) by 12 bps.

Two of the three top-performing individual fixed income CEFs were housed in Lipper's General & Insured Municipal Debt CEFs (Leveraged) classification. However, at the top of the fixed income universe chart was **Franklin Universal Trust (FT)**, housed in the High Yield CEFs [Leverage] classification), returning 4.22% and traded at a 13.50% discount on March 31. Following FT were **RiverNorth Managed Duration Muni Income Fund Inc. (RMM)**, warehoused in the General & Insured Municipal Debt CEFs [Leveraged] classification), returning 3.16% and traded at a 8.01% discount at month end; **RiverNorth Flexible Municipal Income Fund Inc. (RFM)**, also housed in the General & Insured Municipal Debt CEFs [Leveraged] classification), returning 3.05% and traded at an 8.27% discount on March 31; **MFS Special Value Trust (MFV)**, housed in the High Yield CEFs classification), posting a 2.52% return and traded at a 12.25% premium at month end; and **RiverNorth Specialty Finance Corporation (RSF)**, housed in the Loan Participation CEFs classification), adding 2.26% to its February month-end value and traded at a 5.79% discount at month end.

For the remaining funds in the fixed income CEF universe, monthly NAV-based performance ranged from negative 3.58% for **Stone Harbor Emerging Markets Income Fund (EDF)**, housed in Lipper's Emerging Markets Hard Currency Debt CEFs classification and traded at a 26.05% premium at month end) to positive 2.17% for **RiverNorth Opportunistic Municipal Income Fund Inc. (RMI)**, housed in the High Yield Municipal Debt CEFs classification and traded at a 6.91% discount on March 31). The 20 top-performing fixed income CEFs posted returns at or above 1.38%, while the 20 lagging CEFs posted returns at or below negative 1.09% for the month. There were 80 fixed income CEFs that witnessed negative NAV-based performance for March.

Premium and Discount Behavior

For March, the median discount of all CEFs narrowed 97 bps to 4.63%—narrower than the 12-month moving average median discount (8.03%). Equity CEFs' median discount narrowed 131 bps to 6.80%, while fixed income CEFs' median discount narrowed 144 bps to 3.50%. Taxable Bond CEFs' median discounts witnessed the largest narrowing among the CEF macro-groups—229 bps to 2.87%—while the single state municipal CEFs macro-group witnessed the smallest narrowing of discounts—six bps to 6.07%.

Gabelli Utility Trust (GUT), housed in the Utility CEFs classification) traded at the largest premium (+62.82%) 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 (-40.58%) at month end.

For the month, 77% of all funds' discounts or premiums improved, while 23% worsened. In particular, 67% of equity CEFs and 85% 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 (114) was 24 more than the number on February 26 (90).

CEF Events and Corporate Actions IPOs

BlackRock Innovation and Growth Trust (BIGZ) is a newly organized, non-diversified, closed-end investment management company with no operating history. The trust's investment objectives are to provide total return and income through a combination of current income, current gains, and long-term capital appreciation. The trust will invest primarily in equity securities issued by mid- and small-capitalization companies that the advisor believes have above-average earnings growth potential. In selecting investments for the trust, the advisor focuses on mid- and small-capitalization growth companies that are "innovative." These are companies that have introduced, or are seeking to introduce, a new product or service that potentially changes the marketplace. As part of its investment strategy, the trust intends to employ a strategy of writing (selling) covered call options on a portion of the common stocks in its portfolio, writing (selling) other call and put options on individual common stocks, including uncovered call and put options, and, to a lesser extent, writing (selling) covered and uncovered call and put options on indices of securities and sectors of securities. This options writing strategy is intended to generate current gains from options premiums and to enhance the trust's risk-adjusted returns.

Rights, Repurchases, Tender Offers

The Board of Trustees of **The Gabelli Utility Trust (GUT)** approved a transferable rights offering which would allow the fund's record date common shareholders to acquire additional common shares. The offering will be made only by means of a prospectus. Each shareholder will receive one transferable right for each common share held on the record date (March 11, 2021). Seven rights plus \$5.50 will be required to purchase one additional common share. The purchase price will be payable in cash. Record date shareholders who fully exercise their primary subscription rights will be eligible for an over-subscription privilege entitling these shareholders to subscribe, subject to certain limitations and a pro-rata allotment, for any additional common shares not purchased pursuant to the primary subscription. Rights acquired in the secondary market may not participate in the over-subscription privilege. The rights were expected to trade "when issued" on the New York Stock Exchange (NYSE) beginning on March 9, 2021, and the fund's common shares were expected to trade "ex-rights" on the NYSE beginning on March 10, 2021. The rights were expected to begin trading for normal settlement on the NYSE (NYSE: GUT RT) on or about March 16, 2021. The offering expires on April 14, 2021, unless extended.

Eaton Vance Short Duration Diversified Income Fund (EVG) announced that its board of trustees has authorized a conditional cash tender offer for up to 25% of the fund's outstanding common shares at a price per share equal to 99% of the fund's NAV per share as of the close of regular trading on the NYSE on the date the tender offer expires. The tender offer is conditioned on shareholder approval of a new investment advisory agreement with Eaton Vance Management ("EVM"), the fund's investment advisor, at the upcoming special meeting of shareholders.

The board of directors of **Liberty All-Star Growth Fund, Inc. (ASG)** has authorized and set the terms of an offering to the fund's shareholders of rights to purchase additional shares of the fund. Shareholders on a record date to be established by the fund's board would be issued non-transferable rights entitling them to subscribe for one additional share for every five shares held, with the right to subscribe for additional shares not subscribed for by others in the primary subscription. If such over-subscription requests exceed the number of shares available, the fund may, in its sole discretion, elect to issue additional shares in an amount of up to 25% of the shares issued in the primary subscription.

The subscription price per share will be 95% of the reported NAV or market price per share, whichever is lower on the expiration date. Market price per share will be determined based on the average of last reported sales prices of a share on the NYSE on the expiration date and the four trading days preceding the expiration date.

Mergers and Reorganizations

The reorganizations of **Nuveen New Jersey Municipal Value Fund (NJV)** and **Nuveen Pennsylvania Municipal Value Fund (NPN)** into **Nuveen AMT-Free Municipal Value Fund (NUW)** and the reorganization of **Nuveen California Municipal Value Fund 2 (NCB)** into **Nuveen California Municipal Value Fund (NCA)** were completed prior to the open of the NYSE on March 8, 2021.

In the reorganizations, NUW acquired substantially all of the assets and liabilities of each of NJV and NPN in a tax-free transaction in exchange for newly issued common shares in an aggregate amount equal in value to the net assets transferred. In the reorganization, NCA acquired substantially all of the assets and liabilities of NCB in a tax-free transaction in exchange for newly issued common shares in an aggregate amount equal in value to the net assets transferred. NCA also completed a change of domicile reorganization from a Minnesota corporation to a Massachusetts business trust. The exchange was based upon the values of the funds' net assets as of the close of trading on March 5, 2021. The exchange



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ratio at which common shares of NUW were issued in exchange for the net assets for NJV and NPN and common shares of NCA were issued in exchange for net assets of NCB is as follows (Fund Name, Ticker, and Exchange Ratio): Nuveen New Jersey Municipal Value Fund (NJV) 0.89773103; Nuveen Pennsylvania Municipal Value Fund (NPN) 0.87497753; Nuveen California Municipal Value Fund 2 (NCB) 1.51727882.

BlackRock Advisors, LLC announced that the reorganizations of each of **BlackRock Municipal Income Investment Quality Trust (BAF)**, **BlackRock Municipal Bond Trust (BBK)**, **BlackRock MuniHoldings Fund II, Inc. (MUH)**, **BlackRock MuniHoldings Quality Fund, Inc. (MUS)** with and into **BlackRock MuniHoldings Fund, Inc. (MHD)**. The reorganization was effective as of the opening for business of the NYSE on Monday, March 8, 2021.

In the reorganizations, common shareholders of BAF, BBK, MUH, and MUS received an amount of MHD common shares equal to the aggregate NAV of their holdings of BAF, BBK, MUH, and MUS common shares as determined at the close of business on March 5, 2021. Fractional shares of MHD common shares were not issued in the reorganizations and consequently cash will be distributed for any such fractional shares. Relevant details pertaining to the reorganizations are as follows (Fund, Ticker, and Share Conversion Ratio): BlackRock MuniHoldings Fund, Inc. (MHD) N/A; BlackRock Municipal Income Investment Quality Trust (BAF) 0.89746185; BlackRock Municipal Bond Trust (BBK) 0.96696817; BlackRock MuniHoldings Fund II, Inc. (MUH) 0.92578578; and BlackRock MuniHoldings Quality Fund, Inc. (MUS) 0.81612104.

Eaton Vance Floating-Rate Income Plus Fund (EFF) announced that the fund's board of trustees approved a plan of liquidation and termination of the fund. The liquidation and termination pursuant to the plan will be submitted to fund shareholders for approval at the fund's annual meeting of shareholders, which is scheduled to be held on May 14, 2021. The board recommends that shareholders vote for the liquidation and termination at the annual meeting. The board set a record date of March 1, 2021, for determining those shareholders of the fund entitled to notice of, and to vote at, the annual meeting, or at any adjournment or postponement thereof.

Shareholders of the **Nuveen Maryland Quality Municipal Income Fund (NMY)** approved the fund's reorganization into **Nuveen Quality Municipal Income Fund (NAD)**. Additionally, shareholders of the **Nuveen New York Municipal Value Fund, Inc. (NNY)** approved a change of domicile reorganization from a Minnesota corporation to a Massachusetts business trust. Upon completion of the change of domicile, NNY will become **Nuveen New York Municipal Value Fund**. Shareholders of the **Nuveen New York Municipal Value Fund 2 (NYV)** also approved the fund's reorganization into NNY. Subject to the satisfaction of certain customary closing conditions, the transactions are expected to become effective before the market opens on April 12, 2021.

The board of trustees of **Voya Natural Resources Equity Income Fund (IRR)** has approved a plan of liquidation and termination for the fund. The plan of liquidation and termination is expected to take effect on or about June 11, 2021. Subsequent to the

effectiveness of the fund's plan of liquidation and termination, the fund will determine and pay, or set aside in cash or cash equivalents, in an amount that it estimates is necessary to discharge any unpaid liabilities and obligations of the fund, and make one or more liquidating distributions to the fund's common shareholders. Leading up to the final distribution date, as the fund begins to transition its portfolio in anticipation of making its liquidating distributions, the fund may deviate from its investment objectives and policies. The fund has fixed the close of business on June 11, 2021, as the effective date for determining the common shareholders of the fund entitled to receive liquidating distributions.

Other

Neuberger Berman MLP and Energy Income Fund Inc. (NML) announced that it has amended its revolving credit facility to increase the amount of available debt financing in order to bring it more in line with the fund's current asset level. Under the amended terms of the facility, the lender's total commitment increased from \$50 million to \$75 million, the commitment fee and spread component of the interest rate were lowered and the duration of the facility was extended, among other changes.

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