Seeking Alpha α

Closed End Funds

Closed-End Funds: A Look At 2021, And Looking Forward To 2022

Jan. 14, 2022 12:26 PM ET | AAPL, AMLP, AMZN... | 42 Comments | 32 Likes

Summary

- The market can continue to run higher, though I would temper expectations for the year.
- I would say that I'm once again "cautiously optimistic" heading into 2022 just as I was in 2021.
- Utilities and consumer staples were the worst-performing sectors, but all sectors delivered positive returns for the year.
- Utilities could be an attractive place to put capital to work as they are out of favor.
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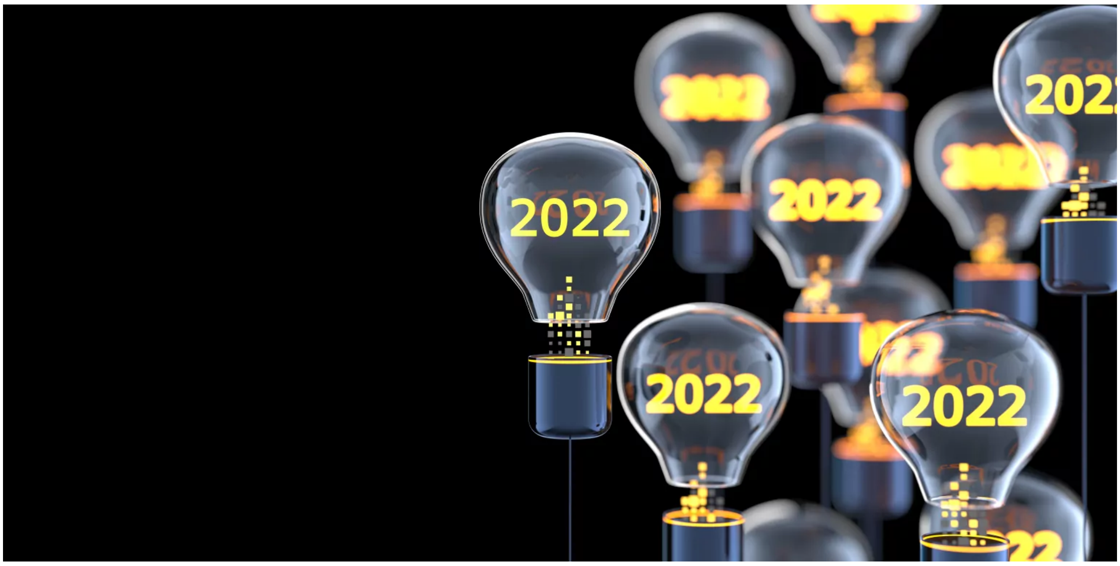

Olemedia/E+ via Getty Images

Early in 2021, I had published my outlook and thoughts on what 2021 could bring. As usual, there were some right calls and some wrong calls. It is that time of year to review 2021 and look forward to 2022.

There were three main points that I thought could drive us in 2021. The first was that I titled that article "'Cautiously Optimistic' Heading Into 2021." It turns out; I shouldn't have been so cautious as we once again had a stellar year of performance. 2021 delivered around 27% returns for the S&P 500, which is usually the referenced benchmark for "broader markets."

This is now the third year in a row where the broader indexes delivered solid returns for shareholders. Really, we've become quite spoiled, and I worry about newer investors' perceptions of realistic expectations for investing.

We've had a whole new cohort of investors join us in the last two years, where all they know is straight upward performance since COVID. You name it, it most likely performed incredibly well over the previous two or three years. 2021 sector performance was evidence of this. Every sector was solidly in the green.

U.S. Equity Sectors

Sector	ETF	Today	1 Month	YTD	1 Year	3 Years	Day Range		52 Week Range	
Energy	XLE	0.25%	1.67%	0.00%	46.44%	-0.33%	55.13	55.79	37.51	59.41
Real Estate	XLRE	0.21%	9.33%	0.00%	41.71%	67.13%	51.66	52.17	34.65	52.17
Technology	XLK	-0.49%	3.05%	0.00%	33.73%	180.53%	173.79	174.97	124.71	177.04
Financial Services	XLF	-0.18%	2.87%	0.00%	32.46%	63.94%	38.97	39.25	28.83	40.86
Consumer Discr.	XLY	-0.24%	0.00%	0.00%	27.16%	106.48%	204.30	205.81	149.65	215.06
Basic Materials	XLB	0.44%	7.04%	0.00%	25.17%	79.35%	90.03	90.84	70.01	91.08
Healthcare	XLV	-0.42%	8.60%	0.00%	24.20%	63.92%	140.84	141.86	109.93	141.98
Industrials	XLI	0.43%	5.00%	0.00%	19.49%	64.28%	105.06	106.23	84.51	107.65
Communication Svcs	XLC	-1.38%	3.06%	0.00%	15.12%	88.18%	77.66	78.87	64.79	86.36
Consumer Staples	XLP	0.68%	9.70%	0.00%	14.32%	51.85%	76.50	77.23	62.99	77.23
Utilities	XLU	0.35%	8.83%	0.00%	14.16%	35.26%	71.04	71.83	58.27	71.83

U.S. Equity Sector Performance 2021

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Just look at the sector performance of the last three years. There is only one negative sector, and that's just barely. That is the infamous energy sector, of course!

U.S. Equity Sectors

Sector	ETF	Today	1 Month	YTD	1 Year	3 Years	Day Range		52 Week Range	
Technology	XLK	-0.49%	3.05%	0.00%	33.73%	180.53%	173.79	174.97	124.71	177.04
Consumer Discr.	XLY	-0.24%	0.00%	0.00%	27.16%	106.48%	204.30	205.81	149.65	215.06
Communication Svcs	XLC	-1.38%	3.06%	0.00%	15.12%	88.18%	77.66	78.87	64.79	86.36
Basic Materials	XLB	0.44%	7.04%	0.00%	25.17%	79.35%	90.03	90.84	70.01	91.08
Real Estate	XLRE	0.21%	9.33%	0.00%	41.71%	67.13%	51.66	52.17	34.65	52.17
Industrials	XLI	0.43%	5.00%	0.00%	19.49%	64.28%	105.06	106.23	84.51	107.65
Financial Services	XLF	-0.18%	2.87%	0.00%	32.46%	63.94%	38.97	39.25	28.83	40.86
Healthcare	XLV	-0.42%	8.60%	0.00%	24.20%	63.92%	140.84	141.86	109.93	141.98
Consumer Staples	XLP	0.68%	9.70%	0.00%	14.32%	51.85%	76.50	77.23	62.99	77.23
Utilities	XLU	0.35%	8.83%	0.00%	14.16%	35.26%	71.04	71.83	58.27	71.83
Energy	XLE	0.25%	1.67%	0.00%	46.44%	-0.33%	55.13	55.79	37.51	59.41

U.S. Equity Sectors Performance 3 Years

Seeking Alpha

Technology is up a blistering 180.53% - with more room to run if you are optimistic going forward. I, for one, am in the camp that tech can continue to run up strongly as earnings and revenue growth are supporting this push higher. It isn't the dot.com era with unrealistic euphoria of hoping to be profitable someday. The MAMAA stocks are driving today's market - Microsoft (MSFT), Apple (AAPL), Meta Platforms (FB) soon to be (MVRS), Amazon (AMZN) and Alphabet (GOOG) (GOOGL).

These are highly profitable companies with runways to keep running higher. Higher interest rates will likely put pressure on these names heading into 2022 - just as it could the entire market.

Overall, with sector performance such as this, it is no surprise we've seen the broader indexes perform incredibly well for the year.

U.S. Equity Markets

Index	ETF	Today	1 Month	YTD	1 Year	3 Years	Day Range	52 Week Range
S&P 500	SPY	-0.25%	4.26%	0.00%	27.04%	90.04%	474.67 – 476.86	364.82 – 479.00
Nasdaq 100	QQQ	-0.62%	1.02%	0.00%	26.81%	157.91%	397.34 – 401.06	297.45 – 408.71
S&P MidCap 400	IJH	0.11%	4.75%	0.00%	23.17%	70.47%	282.57 – 284.57	224.35 – 292.05
DJIA	DIA	-0.21%	5.34%	0.00%	18.81%	55.80%	362.91 – 364.74	298.59 – 366.72
Russell 2000	IWM	-0.22%	1.96%	0.00%	13.46%	66.13%	222.39 – 224.12	190.94 – 244.46

U.S. Equity Market Performance 2021
Seeking Alpha

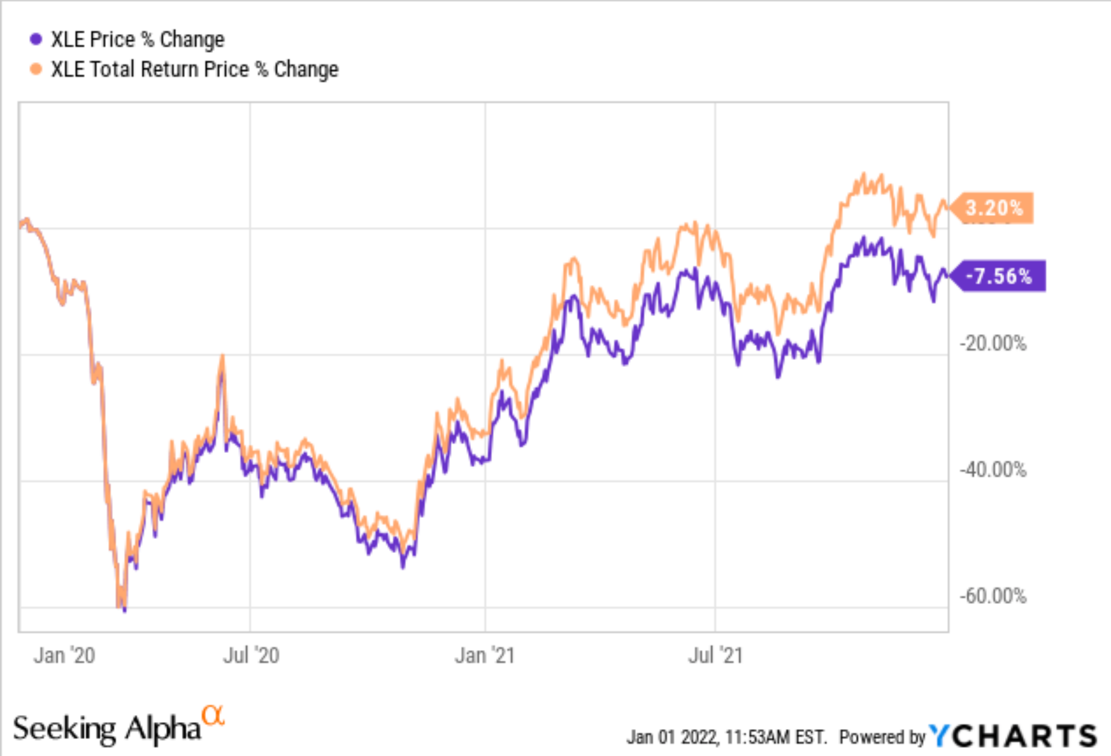
2021 Closed-End Fund Recap

I highlighted quite a few names heading into 2021 that I thought could do well. Besides being cautiously optimistic for the year, I also highlighted energy and financials as two sectors that could perform.

It turned out that energy did perform the best. Financials also weren't anything to scoff at either. In fact, they had been the second-best performing sector for several months - just as recently as the end of October 2021.

To be fair and transparent, I mentioned that energy could be a strong performing sector in 2020. As we know, it was ultimately the worst sector and that capped off three straight years of energy being the worst-performing sector. It almost seemed that it would set up 2021 to have some relief, which is essentially what happened.

Despite the solid gains for the year, it wasn't enough to offset the losses seen in the price return. However, on a total return basis, we see some slight gains. The chart below shows the Energy Select SPDR ETF's (XLE) performance over the last two years.



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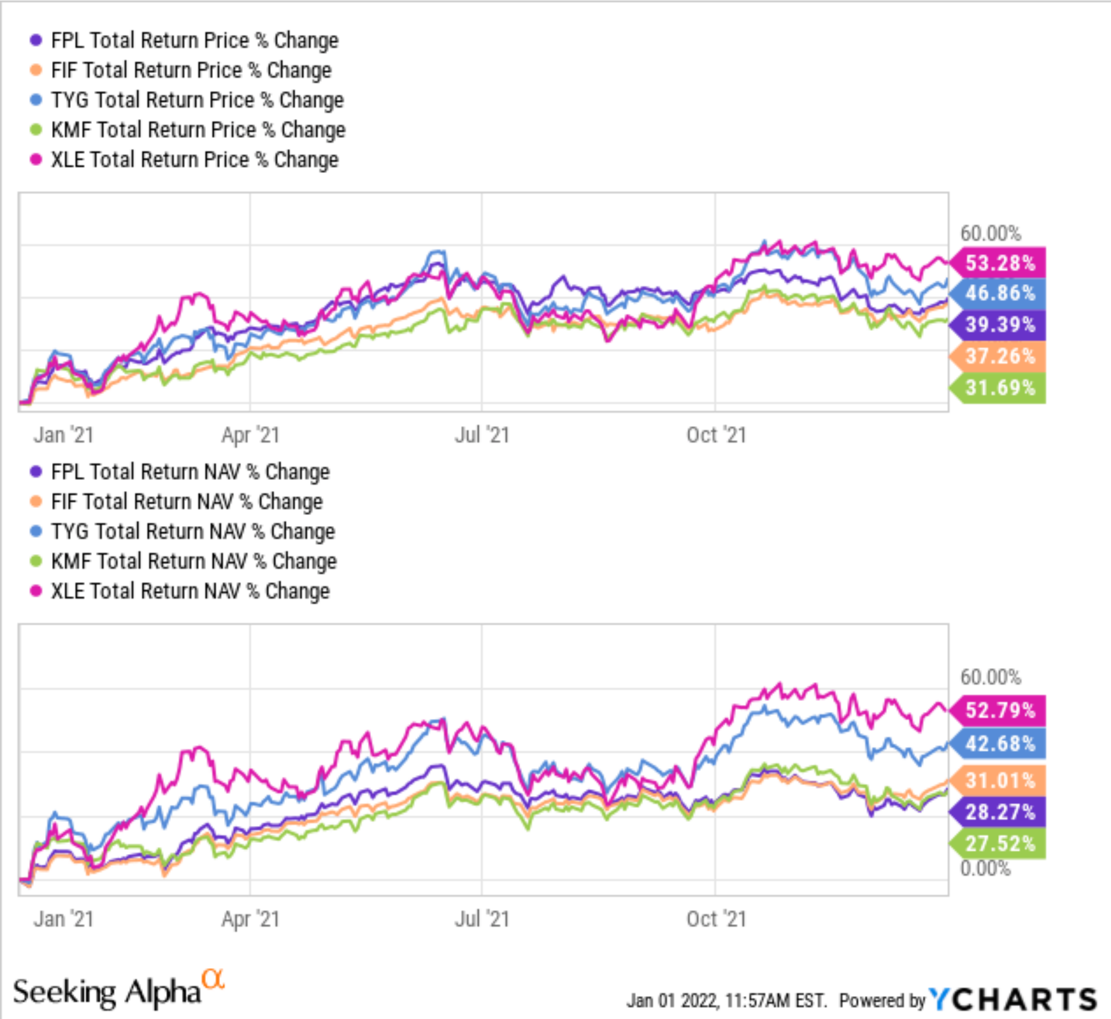
Here's how the energy names performed that I highlighted. I touched on **First Trust New Opportunities MLP & Energy Fund (FPL)** and **First Trust Energy Infrastructure Fund (FIF)** as more conservative names due to their allocation to utilities.

I also highlighted more aggressive names with heavier energy exposure: **Tortoise Energy Infrastructure Corp. (TYG)** and **Kayne Anderson NextGen Energy & Infrastructure, Inc. (KMF).** Both of these funds have more energy exposure, but are also in a bit of a transition to include more renewables and other infrastructure investments.

I also include XLE here for some context. As I'll explain below, it isn't the most appropriate for several reasons.



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As we can see, each of these funds underperformed XLE. TYG came in the closest on a NAV basis. This reflects the underlying portfolio, which includes more energy exposure than the others. KMF was a bit of a disappointment here. They also carry heavier energy exposure but underperformed even FPL and FIF.

I've been bullish on KMF but might need to reevaluate my approach to the fund. It charges one of the highest expense ratios, which certainly doesn't help either. My goal here was to sell it at a 5% to 10% discount, but it can't seem to get there.

Another point, on a total price return basis, each of these funds outperformed their total NAV returns. That isn't too unexpected as the funds closed their discounts. Over the year, the whole CEF space closed their average discounts quite materially across the board.

I'd say the weaker performance here reflects most of these names holding onto MLPs. The energy sector might have done well, but it was mainly the larger traditional energy names that drove up the XLE. MLPs didn't get the same traction from the boost in energy prices. This makes sense as MLPs are often just pipeline companies that collect fixed fees. They aren't supposed to be as tied to the price of the underlying commodities in most cases. However, they sure do take a tumble when energy prices are declining.

With that, we can take a look at one more ETF for context in this space. Below is the performance of Alerian MLP ETF (AMLP). This is more representative of the MLP performance.

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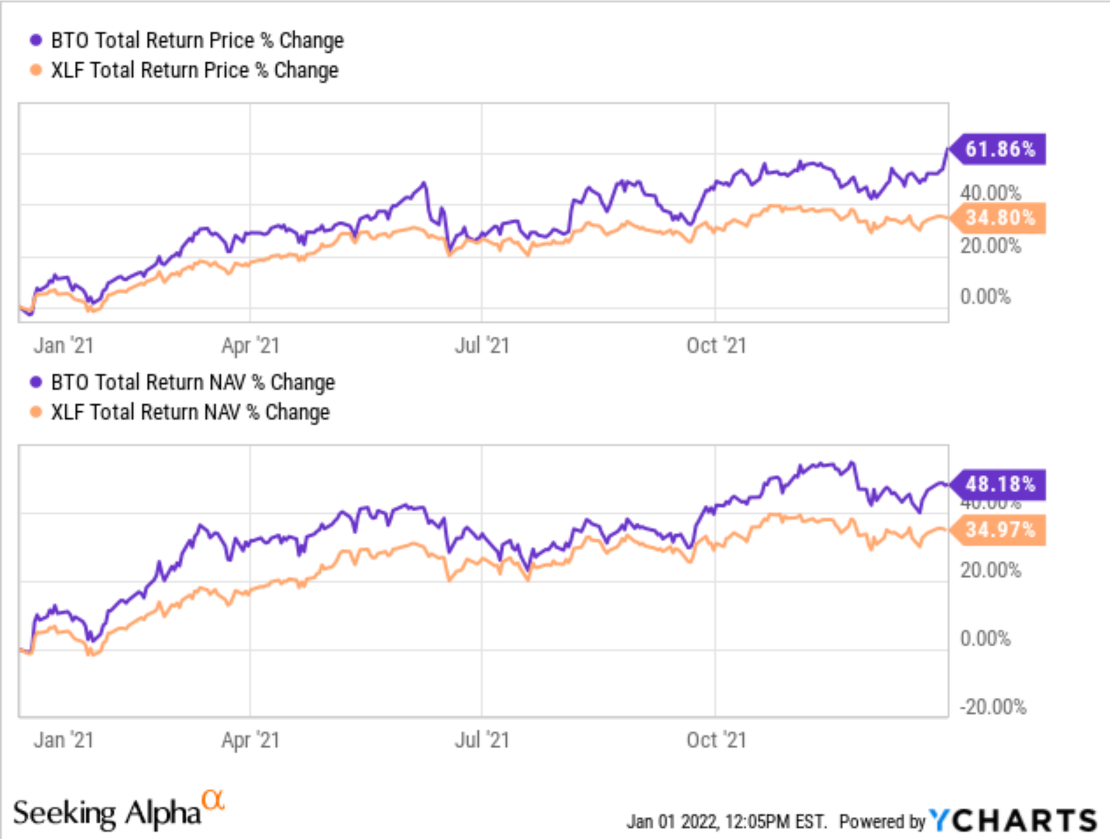
That helps highlight why these CEFs performed worse than something like XLE, which really benefitted from the increase in the underlying commodity prices. In addition to that, we have to also remember that these funds carry exposure to utilities. So that too contributed to the negative drag in performance relative to XLE and AMLP.

In the financial space, there aren't many options for CEFs with pure exposure to financial equities. We have several options if you want to look at financial debt. There is only one, and that is **John Hancock Financial Opportunities (BTO).** This stock became too expensive this year, and I sold my position - though I did so at quite the large gain. I also include the Financial Select Sector SPDR ETF (XLF) for context in the performance chart below.

In this case, XLF could be an appropriate benchmark because BTO holds mostly similar large-cap equity financial names. It isn't like XLE and the 'energy' funds we highlighted above with a much broader portfolio composition.



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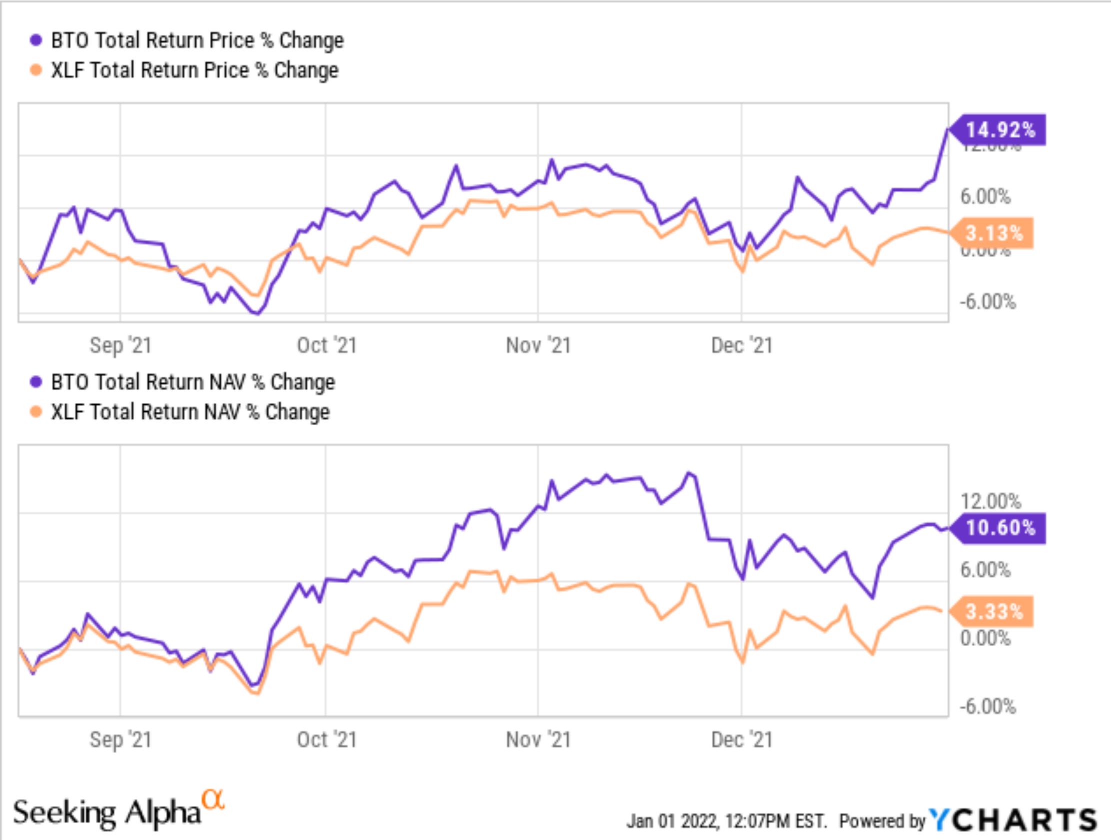
There we see BTO had outperformed. Due to BTO's premium rising rapidly, I ended up selling to swap for XLF until the valuation came in some. That was the wrong move, and the premium remains elevated in this name. I made the switch on August 17th, 2021. That switch cost me a lot so far, not one of my proudest moments.



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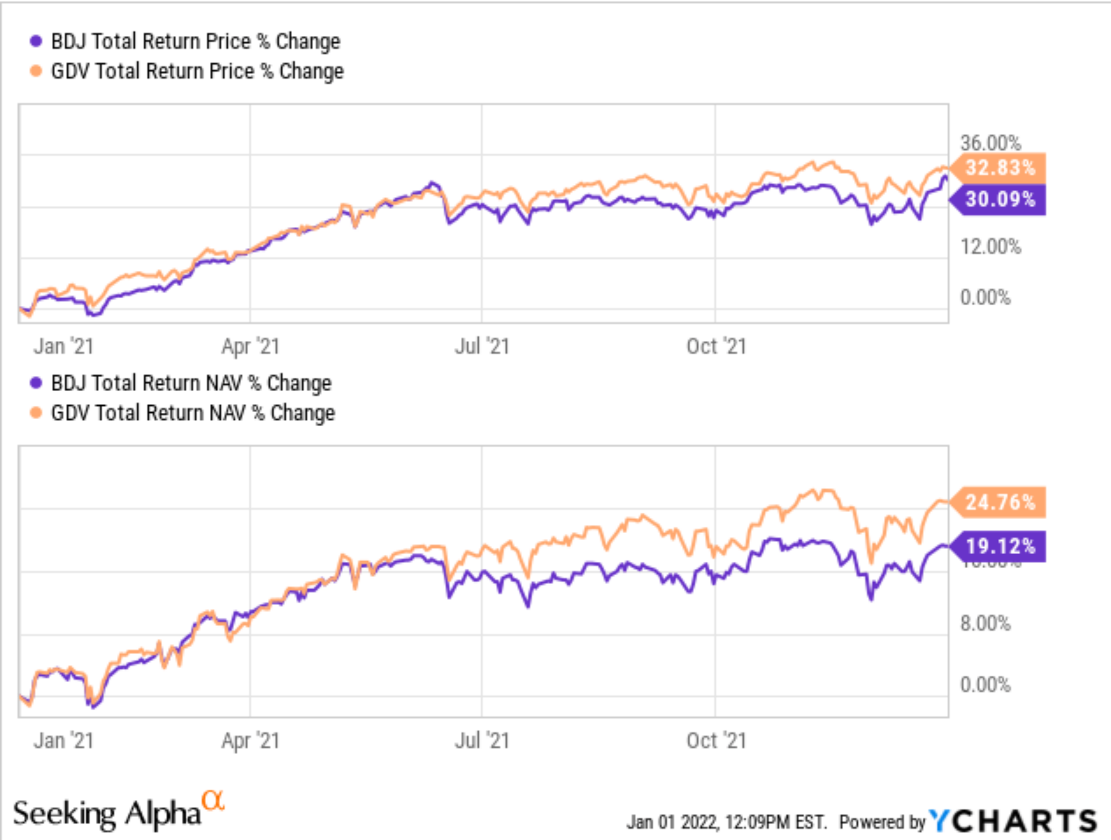
There were two other funds I highlighted that allowed for more diversified exposure but also leaned heaviest in financials. That was the **BlackRock Enhanced Equity Dividend Trust (BDJ)** and **Gabelli Dividend & Income Trust (GDV).** These names continue to hold a heavier exposure to financials than we see in other CEFs. Overall though, these are more middle-of-the-road funds that are relatively balanced that I had thought would do well.

What is interesting is that they had started incredibly strong. Then they just went sideways for most of the second half of the year. I'm not disappointed in either of these picks and am happy to continue holding them. Both pay attractive monthly distributions. BDJ is an options writing fund, and GDV utilizes some leverage to boost its returns. We saw that play out below, with GDV outperforming BDJ, at least one factor presumably being leverage.



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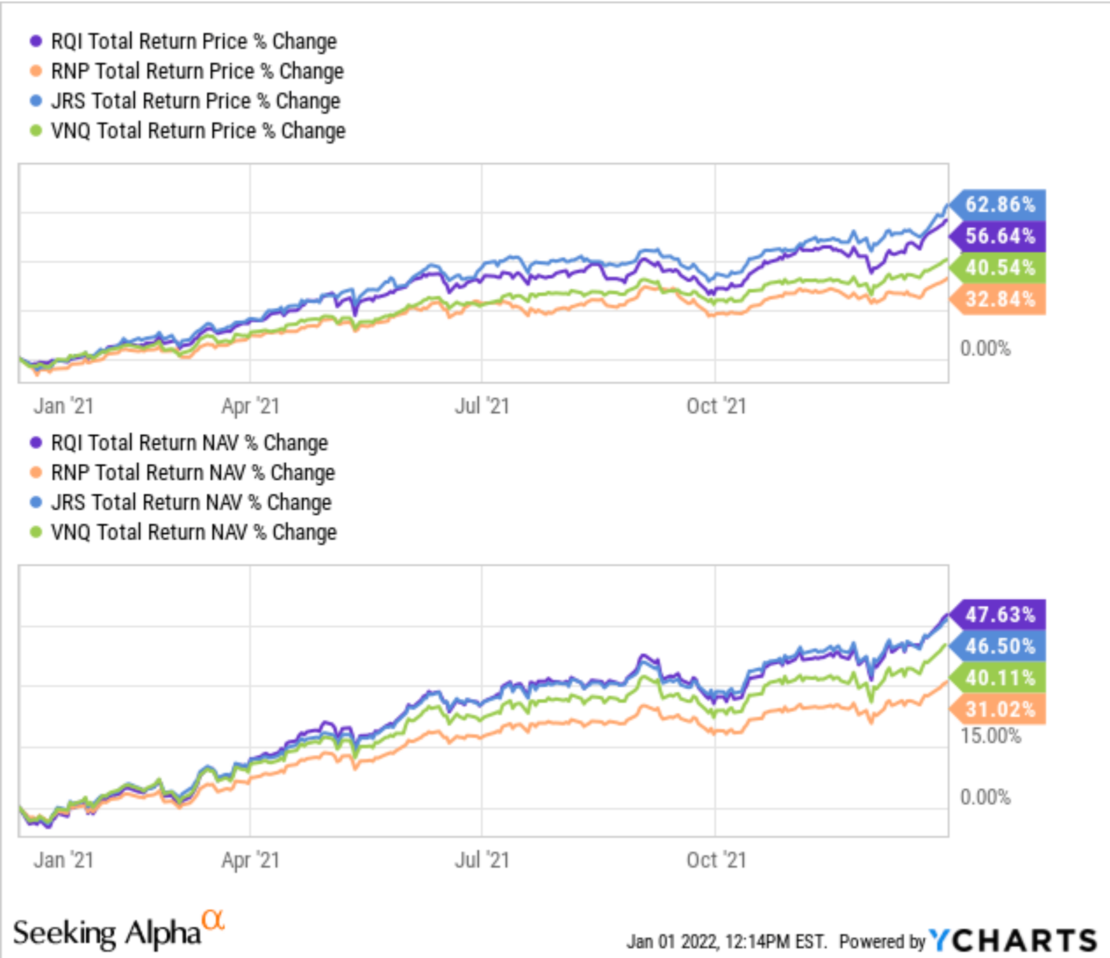
Finally, I highlighted some REIT funds that I suspected would do well. I wasn't disappointed here either, with **Cohen & Steers REIT & Preferred Income Fund (RNP)** and **Cohen & Steers Quality Income Realty (RQI)** being solid performers. I also touched on **Nuveen Real Estate Income Fund (JRS)** as a more aggressive REIT CEF play.

In the chart below, I also include the Vanguard Real Estate Index Fund ETF (VNQ) for some context. VNQ performed well, but RQI and JRS significantly outperformed. RNP was a little bit more reserved, but not surprising either. RNP is half preferred fund. JRS also includes preferred, and bond exposure, but the underlying assets being tilted towards being more aggressive counteracted that detraction. Again, really solid results here, so I can't complain about any of the REIT choices.



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2022 Outlook

With all that being said, 2022's environment is a lot different. I mentioned that discounts in the CEF space as a whole have dried up. The average discount of all CEFs is at 2.51% right now. On 12/31/2020, the average discount came to 6.39%. That gave us more room for error, especially with the funds I highlighted above having quite deep discounts at the start of the year.

We are also looking at the third year of significant gains for the broader indexes. So I have to once again go with a more cautiously optimistic tone heading into 2022. However, I'd be happy to be wrong again if we get another 2021. If I had to give a number, I'd just go with the more modest returns of 6% to 8% for the S&P 500. If my portfolio can provide those types of returns for the year, I would be pretty happy.

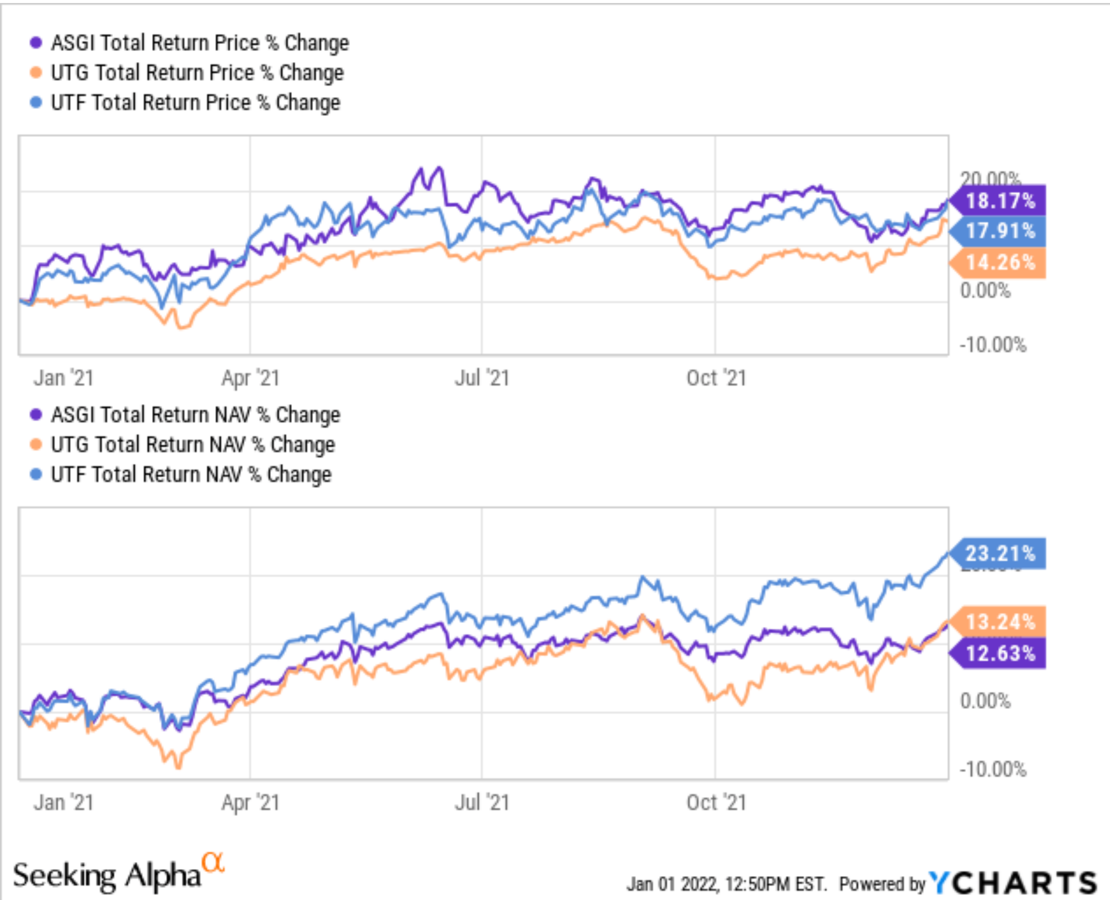
We have a lot of hurdles that could be pushing against us in 2022, including interest rate increases that could be pretty aggressive. We will need a strong economy in the U.S. and globally to overcome that obstacle. These rate increases directly result from inflation heating up and not dissipating as fast as the Fed initially thought.

All that being said, this year, I don't see as many strong choices heading into 2022. The sectors that could do well would be the laggards of this year; consumer staples and utilities. There really isn't any fund that I know of that holds a concentrated mix of consumer staples in the CEF space. We have quite a few choices for utilities, but they are all on the expensive side.

One that is cheaper but is more of an infrastructure fund is **Aberdeen Standard Global Infrastructure Income Fund (ASGI)**. This is a fund that I've begun picking shares up through 2021. The fund currently trades at a discount of 11.37%, making it quite the value in the utility/infrastructure space. It also includes a sizeable allocation to industrial stocks - another market area that was on the bottom half of sector performance in 2021.

I want to highlight two other funds in this space: **Reaves Utility Income Fund (UTG)** and **Cohen & Steers Infrastructure Fund (UTF)**. These names are quite popular, and I've highlighted them over the years many times.

Here are how these positions performed over the last year.



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I don't currently own UTF, but it's been getting back to a better valuation; it's getting very close to being back in my portfolio. This is on my close watchlist, and being that it is basically at parity with its NAV might be worth scooping up anyway.

UTG has been a core position in my portfolio for years; it has been a laggard within the space - even more so than its peers. Part of the reason for this is that they deleveraged in 2020 during the downturn as they wanted to reduce risk. They weren't forced to deleverage. It turned out that was the completely wrong decision to make as the markets quickly snapped back.

Those would be the three positions I think can be best poised to take advantage of the opportunity in the lagging performance of utilities. One of the reasons they are lagging could be that higher rates are expected. Higher rates could put pressure on the underlying portfolios in these funds. I think taking advantage of that weakness for a long-term investor makes sense.

For an investor looking to take advantage of higher inflation and higher rates, some areas could provide that. That could mean that financials and real estate could still do well. Real estate is a natural inflation hedge as the underlying properties should rise in value with inflation. That could put **RQI**, **RNP** and **JRS** back into a position of strength next year.

Additionally, financials do better with higher rates as they earn higher interest with higher rates. That means BTO could continue to do well; I just can't get behind it with the current premium where it is.

GDV is another consideration for this year. It once again represents a fairly attractive value in a more diversified fund. The fund is at a 9.12% discount, which makes it a much better deal than most other CEFs - including BDJ, which now has just a slight discount of 0.78%. Though I plan to continue holding BDJ, I can't see it as such a strong play as I did at the beginning of 2021.

Finally, one last name that I wanted to touch on is **BlackRock Innovation & Growth Trust (BIGZ)**. This would be my aggressive play and deep value play. The fund doesn't invest in deep value or anything; it is just the opposite. The fund's discount itself is what is at a deep value. Currently, this fund is sporting a discount of 14.17%.

This discount really opened up in the last couple of months of 2021, where the fund essentially fell apart. Most of this was related to the significant decline in the innovative/growth stock space. All the names that worked incredibly well in 2020 took big hits during 2021. That put incredible pressure on the fund.

I highlighted this fund recently in its own article, so I won't reiterate everything here. I would just add that it is a high-risk play, even at risk for a distribution cut at this point that could likely see the fund sink even further before getting better.

Conclusion

2021 was a rocking year with returns all around. There were only some very narrow-focused industries where you would have lost money, one of those areas being BIGZ which is why it would be my aggressive play for 2022.

For a more diversified fund trading at an attractive valuation, I would like to highlight GDV once again. It is a lower distribution yielder, so it often gets overlooked. Even if the discount doesn't contract from here, I believe that it is in a better position to withstand a market blow should we get one in 2022. The reason being is that the discount is already wide, widening out significantly further from here seems limited.

For investors expecting higher inflation, positions such as RQI, RNP, JRS and BTO could work out incredibly well.

BTO would benefit from increased interest rates that could be spurred on by higher inflation. However, the current valuation at this time is at such a level that I can't justify buying it here. That is despite how well it might continue to work throughout 2022.

I continue to hold onto RQI, RNP and JRS. They aren't necessarily cheap either at this time but are more moderately priced. JRS is the best value here with its 3.49% discount, followed by RNP at a 2.43% discount and RQI at close to NAV with a discount of just 0.11%. JRS is the more aggressive play here, and that could be why its discount is reflecting that.

Finally, I'm even more cautiously optimistic heading into 2022 than I was in 2021. At this point, we are three years deep in unbelievable performance. Keeping a tempered view for 2022 seems the most logical approach.

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This article was written by

Author of **CEF/ETF Income Laboratory**
CEF/ETF income and arbitrage strategies, 8%+ portfolio yields

Nick Ackerman is an avid student of the markets and has been inves

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Disclosure: I/we have a beneficial long position in the shares of ASGI, BDJ, BIGZ, GDV, JRS, KMF, RNP, RQI, TYG, UTG, XLF either through stock ownership, options, or other derivatives. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

Additional disclosure: May initiate a long position in UTF. This article was originally published to members of the CEF/ETF Income Laboratory on January 1st, 2022.

32 Likes

42 Comments

Comments (42)

rickevantodd Today, 4:43 AM

Comments (2.78K)

Excellent follow-up. Out of disgust with myself I sold and took my lumps yesterday on BIGZ. while the speed of the decline may not continue, the reasons certainly will in 2022. In the reit space I am mostly in RQI with a smaller position in IGR. It provides about one third in foreign reits and has some discount and higher distribution.

Reply Like (1)

Nick Ackerman Today, 7:58 AM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @rickevantodd that's fair! Thank you for sharing and good luck with your investing!

Reply Like

I_Buy_Quality_REITS
Today, 3:06 AM

Comments (201)

Great article! 100% agree on BIGZ being the aggressive, deep value play for 2022. I dare say, even more than REITs! :)

Reply Like (1)

Nick Ackerman
Today, 7:56 AM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @I_Buy_Quality_REITS indeed! Thank you for reading!

Reply Like

hasushah
Yesterday, 8:30 PM

Premium Marketplace Comments (127)

UTF is better NAV performing fund in last five years than UTG.
There is a good possibility of increase in distribution for UTF this year.
I own it for a number of years as a core holding with yield of 8.4% at cost.

Reply Like (3)

Nick Ackerman
Yesterday, 8:42 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @hasushah I'm surprised they haven't upped it already. Thanks for sharing your thoughts!

Reply Like (1)

Veritas1010

Yesterday, 7:50 PM

Comments (7.75K)

Thank you Nick for your ever honest overview.

You may recall new to the CEF and BDC space. $UTF is getting interesting again, agreed. I added earlier this week to $UTG selling out of a troubled renewable ($TRSWF) that will have to replace 50 wind turbine platforms in New Brunswick, CA. As part of my own utility diversity I have a few renewable Utes along with YieldCo.'s. That said big energy still pulls a lot of my train: $ENB. $DNP is becoming stratospheric and is now to rich for my blood.

Utilities are a tough play these days, beaten back somewhat but arguably not enough especially with the FED chomping at the bit to raise interest rates. (I guess one trial ballon put out today by the élites cryer mentioned "7X's next year!). Whether 7X or 4X it is going to make credit and CapEx more dear to all, especially for utilities operating in areas with more socialist ideals as to who shoukd bear the costs for these social changes at bill paying time, investors, honest consumers, and growing dead-beats.

Reply Like (1)

Nick Ackerman

Yesterday, 7:56 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @Veritas1010 thank you for reading and taking the time to add your thoughts! 7 raises, I missed that one. It will certainly be an interesting year or two!

Reply Like

jack kreg
Yesterday, 4:37 PM
Comments (3.29K)

You write the best and most readable CEF articles, thanks. Owned them for decades. This is the hard spot for CEF's in the economic cycle, the best ones are trading near NAV with lowest yields in years. Perhaps the utilities will sell off on rate hikes and UTG will reach a large discount, say -5% or so.

Reply Like (1)

Nick Ackerman
Yesterday, 4:44 PM
Contributor Premium Marketplace Comments (12.26K)

Author's Reply @jack kreg I appreciate the kind words. Thank you!

Reply Like

reganbaha
Today, 7:55 AM
Premium Comments (109)

@jack kreg sorry for the noob question, I'm new to the CEF space, what's the easiest way to check various funds premiums/discounts etc?

Thanks

Reply Like

Nick Ackerman
Today, 7:59 AM
Contributor Premium Marketplace Comments (12.26K)

Author's Reply @reganbaha you can go to Morningstar or CEFConnect, that's often the easiest. Or the fund's website.

Reply Like

RichardB99

Marketplace Comments (317)

Yesterday, 3:12 PM

Thanks for the article Nick. Definitely some things to watch for this year.
With the drop in BTO's price today it is coming into a buy/add range for me.
Probably pull the trigger around $44 if it gets there.

Reply Like

Nick Ackerman

Contributor Premium Marketplace Comments (12.26K)

Yesterday, 3:15 PM

Author's Reply @RichardB99 I think it needs to drop further to get rid of some of that premium, but definitely, something to watch. A sour note to kick off earnings season with some of the banks this morning and a year that is supposed to treat financials well. If expenses are going to rise for financials significantly, that seems like it will negate some of the positive benefits of higher rates. Of course, they could be delivering bad news now to set up bigger beats later. Thanks for sharing your thoughts!

Reply Like

RichardB99

Marketplace Comments (317)

Yesterday, 3:40 PM

@Nick Ackerman That's my thinking "a year that is supposed to treat financials well". So if there are some spikes down to the 3-5% area for a premium (and given the fund's recent history) I think I'd rather be a bit early than late. I can always add more if it goes to a discount :)

Reply Like (2)

Nick Ackerman

Contributor Premium Marketplace Comments (12.26K)

Yesterday, 3:41 PM

Author's Reply @RichardB99 that's a really great point! Being a bit early has served me well enough in the past.

Reply Like (2)

krk65 Yesterday, 2:44 PM

Marketplace Comments (49)

A well written summary on your recommendations, performance evaluations, and prospects for the new year. Provided valuable information and outlook for this investor. Helped consolidate some thinking in volatile times Thank you

Reply Like (3)

Nick Ackerman Yesterday, 3:06 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @krk65 thank you and I'm glad you enjoyed!

Reply Like (1)

bpigg Yesterday, 2:43 PM

Comments (186)

UTF only have 500 shares but it has been a solid performer.

Reply Like (1)

Nick Ackerman Yesterday, 2:44 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @bpigg thanks for sharing. Good luck!

Reply Like (1)

Ksaintd
Premium Comments (22)
Yesterday, 2:29 PM

Hi Nick,
Always a pleasure to read your take on CEFs. I just looked at BIGZ and note that Blackrock has turned $4.8 billion into $3.5 billion in 10 months. I like Blackrock funds in general but a 27% decline should have been difficult to do in a bull market. In your opinion is this bad timing when Blackrock launched the fund or bad management?

Reply Like (3)

Nick Ackerman
Contributor Premium Marketplace Comments (12.26K)
Yesterday, 2:41 PM

Author's Reply @Ksaintd bad timing mostly. It was easy to do as more innovation stocks did quite terrible. There wasn't a lot that declined last year except for that area of the market. ARKK is a similar fund and fared worse, for what it's worth.

Reply Like (2)

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aurora5
Comments (321)
Yesterday, 5:53 PM

@Nick Ackerman Fo you think BIGZ is a buy here - low price and attractive yield?

Reply Like

Nick Ackerman
Contributor Premium Marketplace Comments (12.26K)
Yesterday, 6:03 PM

Author's Reply @aurora5 yes.

Reply Like (1)

100centsofadollar

Yesterday, 2:10 PM

Comments (633)

I see the pipelines as cash cows. They may go higher or lower depending on .... but they always have that contracted income and those higher than average dividends. For a retired investor looking for income what is better?

Reply Like (1)

Nick Ackerman

Yesterday, 2:12 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @100centsofadollar fair point! Good luck with your investing.

Reply Like

100centsofadollar

Yesterday, 2:06 PM

Comments (633)

Can you offer an opinion on BST? It's at a discount but could go lower. Is it a buy?

Reply Like (1)

Nick Ackerman

Yesterday, 2:13 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @100centsofadollar it could go lower, of course. I'm long the fund and don't plan to sell. With all the talk of higher rates, tech could remain under pressure for longer. My largest position is BSTZ, so I've felt the tech pain.

Reply Like (2)

ajgray Yesterday, 2:38 PM

Premium Marketplace Comments (34)

@Nick Ackerman Ditto - I'm long both BSTZ and BST, and debating whether to add more now or to wait a bit.

Reply Like (1)

Nick Ackerman Yesterday, 2:43 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @ajgray indeed! I have added to BIGZ so playing it that way as BSTZ and BST are already top funds for me.

Reply Like (4)

Steady Income Yesterday, 1:52 PM

Premium Comments (1.04K)

I always enjoy and learn from your articles. UTF at $24.14 is one and half percent of the investment in my IRA. I'd like to bring it up to two percent but will wait for a little bit better price. BUI is the only other CEF I own. I picked it over UTG because it uses options for leverage, and I wanted to diversify between the the strategy employed by UTF. Otherwise most of my portfolio is comprised of dividend aristocrats. I have three years to go before required distributions kick in and plan for dividends to cover that for a while.

Reply Like (2)

Nick Ackerman Yesterday, 1:54 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @Steady Income thank you for sharing your input!

Reply Like

Seatonmanagement

Yesterday, 1:05 PM

Comments (938)

Very helpful facts & figures. Hold 80% of what you suggest. Still holding UTF.

Reply Like (2)

Nick Ackerman

Yesterday, 1:06 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @Seatonmanagement thank you! Hopefully I'll have UTF soon enough!

Reply Like (1)

RealRural

Yesterday, 12:59 PM

Comments (5.78K)

Thanks for adding some new names to my list to review of CEFs. I share your modest outlook for the market this year and opinion that we have all gotten complacent that it only goes up. That said, as always, there are many sectors and they often go in different directions. If a risk-off mentality takes hold and subdued expectations grow, defensive picks may indeed be a good place.

I moved into FPL for that reason and hold FFC and am looking at some individual preferred as well. I would love to get into UTF and UTG but the charts show the kind of rise that makes me nervous about joining at the top. Thanks for an honest appraisal of your choices and results, it is both informative and reveals a real world result that shows slam dunks are never guaranteed.

My own take this year is if I emerge unscathed and gain largely yield from my income REITS, BDCs, and CEFs, I will count it a good year. Curious how other SA posters feel?

Reply Like (3)

Nick Ackerman

Yesterday, 1:07 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @RealRural all great input! Thank you for taking the time to share your input.

Reply Like

usiah

Yesterday, 12:39 PM

Comments (10.65K)

Thank you for your always helpful guidance, Mr. Ackerman.

Retired investor

Reply Like (3)

Nick Ackerman

Yesterday, 12:55 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @usiah thank you!

Reply Like (1)

Sane Man

Yesterday, 12:33 PM

Premium Comments (215)

Thanks Nick! How do you feel about FRA-BGT-FTHY for fixed income exposure in a rising rate environment?

Reply Like

Nick Ackerman

Yesterday, 12:35 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @Sane Man those should all do fairly well! I picked up BGB and VVR recently. I have held BGT in the past. Thanks for reading!

Reply Like

wecoyote

Yesterday, 4:58 PM

Comments (167)

@Nick Ackerman

Like your articles very much.

Don't get BGB, though. Charting this it looks like price just erodes over time (about 1/3 since 2013). What am I missing here?

Thanks,
WEC

Reply Like

Nick Ackerman

Yesterday, 5:09 PM

Contributor Premium Marketplace Comments (12.26K)

Author's Reply @wecoyote thank you! BGB has followed a similar trajectory to other senior loan funds. Over the last 5 years or so it has actually outperformed FRA. For CEFs, the price chart alone doesn't always tell the whole story.

Reply Like