

FUNDMARKET INSIGHT REPORT

THOMSON REUTERS LIPPER RESEARCH SERIES

APRIL 30, 2017

The Month in Closed-End Funds: April 2017

PERFORMANCE

For the sixth consecutive month equity CEFs on average witnessed a plus-side return on a NAV basis and for the fifth month in a row on a market basis (+1.03% and +2.67%, respectively). And for the fifth month in a row their fixed income CEF counterparts, rising 0.94%, chalked up a return in the black on a NAV basis; for the fourth month in five they also posted a plus-side return on a market basis, returning 1.91%. The U.S. broad-based indices managed to finish the month on a strong note, with the NASDAQ Composite posting the strongest return (+2.30%) and the S&P 500 Price Only Index chalking up the relatively weakest return (+0.91%). Equity markets struggled at the beginning of the month when investors learned of a weaker-than-expected nonfarm payrolls report for March and the airstrike against Syria. The Labor Department reported the U.S. created just 98,000 new jobs for the month, missing the 185,000 expected by analysts. Investors embraced safe-haven plays—bidding up gold, the Japanese yen, and defensive issues—and focused on the U.S.'s hardline stance on Syria and news that North Korea was threatening war if U.S. Navy ships continued their advance on the Korean Peninsula.

With heightened geopolitical concerns and ahead of the Q1-2017 earnings season, investors became more risk averse, pushing Treasury yields down. Treasury yields were pressured further as investors learned that import prices fell 0.2% for March, easing inflation concerns, and after President Donald Trump stated that he supports a “low-interest-rate policy.”

Later in the month investors appeared to be more optimistic, despite learning that first-time jobless claims rose 10,000 more than the previous week to 244,000. They welcomed a spate of better-than-expected earnings reports, news that the number of out-of-work people collecting unemployment checks fell to a 17-year low, and an announcement that the U.S. government is investigating the impact of foreign steel imports on national security. Trump's commitment on Friday, April 21, to release his tax-cut plan the following week helped calm the markets ahead of France's presidential elections and after an attack on the Champs-Elysees in France.

Toward the end of April markets rallied globally after centrist Emmanuel Macron led the field in the first round of the French presidential election, which helped ease some ongoing concerns of further isolationism among European Union members. Upbeat Q1 earnings reports from the likes of Caterpillar and DuPont helped push the NASDAQ to its twenty-fourth record close in 2017, breaching the 6,000 mark for the first time in history and extending its monthly winning streak to six consecutive months. Market participants took their collective foot off the pedal after Trump officials released a one-page outline of the tax reform plan that was light on details and as investors focused on the likelihood of a government shutdown over the last weekend of the month.

The Month in Closed-End Funds: April 2017

- For the sixth month in a row equity closed-end funds (CEFs) witnessed a plus-side return on average, rising 1.03% on a net-asset-value (NAV) basis for April, while their fixed income CEF cohorts posted a return in the black for the fifth month running, rising 0.94%.
- For April 20% of all CEFs traded at a premium to their NAV, with 19% of equity CEFs and 21% of fixed income CEFs trading in premium territory. Thomson Reuters Lipper's domestic equity CEFs macro-group witnessed the largest narrowing of discount for the month—159 basis points (bps) to 5.47%.
- Energy MLP CEFs (-2.15%) and Natural Resources CEFs (-2.13%) posted the lowest returns in the equity universe and weighed on the domestic equity CEFs macro-group (+0.39%).
- With investors once again focusing on growth-oriented issues during the month, Growth CEFs rose to the top of the charts (+5.28%) for the second month in a row.
- For the fifth consecutive month all Lipper municipal debt CEF classifications posted returns in the black, with New Jersey Municipal Debt CEFs (+1.03%) and Intermediate Municipal Debt CEFs (+0.98%) posting the best returns of the group.



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For the month Treasury prices dropped slightly as investors became more risk seeking after the first round of the French presidential election was announced and polling suggested that Macron was favored over nationalist Marine Le Pen. At the short end of the yield curve—except for the one-month yield, which experienced a 6-bp decline for the month of April—yields of two years or less witnessed increases for the month ranging between 1 and 8 bps, while longer-dated yields declined, with the five-year yield declining the most—12 bps to 2.10%.

For April the dollar weakened against the euro (-1.81%) and the pound (-3.12%) but was unchanged against the yen. Commodities prices were mixed for the month, with near-month gold prices rising 1.51% to close April at \$1,266.10/ounce and front-month crude oil prices falling 2.51% to close the month at \$49.33/barrel.

For the month 91% of all CEFs posted NAV-based returns in the black, with 81% of equity CEFs and 99% of fixed income CEFs chalking up returns in the plus column. For the third month in four Lipper's world equity CEFs macro-group (+2.70%) outpaced its two equity-based brethren: mixed-asset CEFs (+1.33%) and domestic equity CEFs (+0.39%).

Once again, as a result of the strong preference for growth-oriented and international issues, the Growth CEFs classification (+5.28%) jumped to the top of the equity charts for the second month in a row. It was followed by Developed Markets CEFs (+2.88%) and Emerging Markets CEFs (+2.21%). Domestic equity CEFs (+0.39%) were pulled down by Energy MLP CEFs (-2.15%) and Natural Resources CEFs (-2.13%) as oil prices and energy stocks were hurt by data showing active U.S. rig counts had increased. For the remaining equity classifications returns ranged from 0.77% (Real Estate CEFs) to 2.01% (Global CEFs).

Four of the six top-performing individual equity CEFs were housed in Lipper's Developed Markets CEFs classification. However, at the top of the charts were **Engex, Inc. (EXGI)**, housed in the Growth CEFs classification, rising 9.00% on a NAV basis (the strongest return in the CEFs universe), and **Turkish Investment Fund, Inc. (TKF)**, warehoused in Lipper's Emerging Markets CEFs classification, gaining 7.59% and traded at a 3.41% discount at month-end. EXGI, which didn't trade on April 28, didn't record a premium or discount. Those two CEFs were followed by **New Ireland Fund, Inc. (IRL)**, rising 5.81% and traded at a 4.94% discount at month-end; **New Germany Fund, Inc. (GF)**, gaining 5.06% and traded at a 10.27% discount on April 28; **Swiss Helvetia Fund, Inc. (SWZ)**, posting a 4.66% return and traded at a 9.80% discount at month-end; and **European Equity Fund Inc. (EEA)**, gaining 4.24% and traded at an 11.09% discount on April 28.

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 Funds	81	85	13	19	79
Bond Funds	99	80	16	21	78
ALL CEFs	91	82	14	20	78

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	APRIL	YTD	3-MONTH	CALENDAR-2016
Equity Funds	1.03	6.89	4.13	11.72
Bond Funds	0.94	3.57	2.45	6.66
ALL CEFs	0.98	5.03	3.19	8.90

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	APRIL 2017	CALENDAR-2016
ALL CEFs	25	18

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

3 MONTHS THROUGH 3/31/2017	404
COMPARABLE YEAR-EARLIER 3 MONTHS	197
CALENDAR 2016 AVERAGE	348

Source: Thomson Reuters Lipper



For the month the dispersion of performance in individual equity CEFs—ranging from minus 5.35% to positive 9.00%—was narrower than March's spread and slightly more skewed to the plus side. The 20 top-performing equity CEFs posted returns at or above 3.13%, while the 20 lagging equity CEFs were at or below minus 2.10%.

For the month 51 CEFs in the equity universe posted negative returns. Four of the five worst performing funds were housed in the Energy MLP CEFs classification, with **Cushing Energy Income Fund (SRF)** at the bottom of the pile, shedding 5.35% of its March-closing NAV price and traded at 13.18% discount on April 28. **Tortoise Energy Independence Fund, Inc. (NDP)**, housed in the Natural Resources CEFs classification) posted the next poorest return in the equity universe, declining 4.73%. NDP traded at a 3.90% premium at month-end.

As a result of geopolitical concerns and an early flight to safety, the ten-year Treasury yield bounced from 2.40% at March month-end to an intra-month closing low of 2.18% on April 18; it then rose on increasing optimism, closing the month at 2.29% on April 28 as inflationary expectations declined. For the fifth month in a row domestic taxable bond CEFs (+0.97%) posted a plus-side return on average but were bettered by world income CEFs (+1.27%), which benefitted from strong performance from Emerging Markets Debt CEFs (+1.52%) and Global Income CEFs (+1.13%). For the fifth consecutive month municipal bond CEFs (+0.89%) also posted a return in the black on average.

Investors continued their search for yield, bidding up world income CEFs and becoming more risk seeking in April. The domestic fixed income CEFs macro-group was dragged down by Loan Participation CEFs (+0.44%) and Corporate Debt BBB-Rated CEFs (Leveraged) (+1.04%). At the top of the domestic taxable bond CEFs universe were General Bond CEFs (+1.21%), High Yield CEFs (Leveraged) (+1.18%), and High Yield CEFs (+1.08%).

For the fifth month running all Lipper municipal debt CEF classifications posted returns in the black. New Jersey Municipal Debt CEFs (+1.03%) and Intermediate Municipal Debt CEFs (+0.98%) posted the strongest returns in the group, while General & Insured Municipal Debt CEFs (Unleveraged) (+0.79%) was the relative laggard. Single-state municipal debt CEFs (+0.85%) underperformed their national municipal debt CEF counterparts (+0.92%) by just 7 bps.

The three top-performing individual CEFs in the fixed income universe were housed in Lipper's General Bond CEFs classification, with **PIMCO Corporate & Income Opportunity Fund (PTY)**, returning 3.06% and traded at an 11.07% premium on April 28, jumping to the top of the charts. Following PTY were **PIMCO High Income Fund (PHK)**, returning 2.41% and traded at a 27.61% premium

at month-end; **PIMCO Corporate & Income Strategy Fund (PCN)**, posting a 2.28% return and traded at a 10.54% premium on April 28; **DoubleLine Income Solutions Fund (DSL)**, warehoused in the High Yield CEFs [Leveraged] classification), tacking 2.17% onto its March month-end value and traded at a 4.55% discount on April 28; **PIMCO Income Strategy Fund II (PFN)**, also housed in the General Bond CEFs classification), returning 2.11% and traded at a 2.47% premium at month-end; and **Stone Harbor Emerging Markets Income Fund (EDF)**, housed in Lipper's U.S. Emerging Markets Debt CEFs classification), also returning 2.11% and traded at a 9.70% premium at month-end.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 0.40% for **Western Asset Corporate Loan Fund Inc. (TLI)**, housed in Lipper's Loan Participation CEFs classification), traded at an 0.09% premium on April 28, to 2.08% for **PIMCO Income Strategy Fund (PFL)**, housed in Lipper's U.S. General Bond CEFs classification), traded at a 2.22% premium at month-end. The 20 top-performing fixed income CEFs posted returns at or above 1.71%, while the 20 lagging CEFs were at or below 0.30%. Only three fixed income CEFs witnessed negative NAV-based performance for April.

PREMIUM AND DISCOUNT BEHAVIOR

For April the median discount of all CEFs narrowed 110 bps to 5.43%—better than the 12-month moving average discount (6.26%). Equity CEFs' median discount narrowed 162 bps to 6.79%, while fixed income CEFs' median discount narrowed 100 bps to 4.62%. Domestic equity CEFs' median discount witnessed the largest narrowing of discounts in the CEFs universe, 159 bps to 5.47%, while the single-state municipal bond CEFs macro-group witnessed the smallest narrowing of discounts—32 bps to 5.75%.

For the month 82% of all funds' discounts or premiums improved, while 14% worsened. In particular, 85% of equity funds and 80% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on April 28 (107) was 19 more than on March 31.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

Griffin Capital Credit Advisor, LLC launched three share classes of the **Griffin Institutional Access Credit Fund (A Shares [CRDTX], C Shares [CGCCX], and I Shares [CRDIX])**, continuously offered, non-diversified CEFs that are operated as interval hybrid funds. The funds' investment strategies are to invest in an actively-managed, diversified portfolio of credit instruments. The portfolio primarily includes senior direct lending, bank loans, high-yield debt, structured debt, and non-performing loans.

RIGHTS, REPURCHASES, TENDER OFFERS

The Taiwan Fund, Inc. (TWN) announced that on April 6, 2017, the fund repurchased 1,000 shares under the fund's discount management policy.

Western Asset Middle Market Income Fund Inc. (XWMFX) announced the final results of its issuer tender offer for up to 2.5% of the outstanding common shares or 7,306 shares of the fund at a price equal to the fund's NAV per share on the day on which the tender offer expired, April 5, 2017. A total of 16,184 shares were duly tendered and not withdrawn. Because the number of shares tendered exceeded 7,306 shares, the tender offer was oversubscribed. Therefore, in accordance with the terms and conditions specified in the tender offer, the fund will purchase shares from all tendering shareholders on a *pro rata* basis, disregarding fractions. Accordingly, on a *pro rata* basis approximately 45.14% of shares for each shareholder who properly tendered shares were accepted for payment. The fund expected to transmit payment to purchase the duly tendered and accepted shares on or about April 12, 2017. The purchase price of properly tendered shares was \$798.03 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 5, 2017. Shares tendered but not accepted for payment and shares not tendered remained outstanding.

The Korea Fund, Inc. (KF) announced that its board of directors authorized a tender offer to purchase for cash up to 10% of the fund's issued and outstanding common shares at a price per share equal to 98% of the NAV per share determined on the date the tender offer expires. As of April 17, 2017, the fund had 6,543,729 common shares outstanding and total net assets of \$270,468,845. The fund expected to announce additional details, including the timing of the tender offer, as soon as practicable. The board authorized the tender offer in an attempt to provide additional support to the fund's existing discount management program as well as to demonstrate its commitment to continuously review alternative options for narrowing the fund's discount. In addition, the board believes the tender offer may help reduce what

appeared to be an oversupply of shares of emerging market CEFs, such as the fund, that appears to have contributed to relatively wide and persistent trading discounts experienced by these funds. Additional terms and conditions of the tender offer will be set forth in the fund's offering materials, which were expected to be distributed to common shareholders on or about April 25, 2017. If more than 10% of the fund's outstanding common shares are tendered and not withdrawn, the fund will purchase shares from tendering shareholders on a *pro rata* basis. The tender offer commenced on Wednesday, April 26, 2017, and will expire unless otherwise extended at 5:00 p.m., New York City Time, on Tuesday, May 23, 2017.

NexPoint Credit Strategies Fund (NHF) announced commencement of a nontransferable rights offering to purchase additional common shares of the fund, since the fund's registration statement has been declared effective by the Securities and Exchange Commission. The fund is issuing nontransferable rights to its common shareholders of record as of May 5, 2017. Record-date shareholders will receive one right for each common share held on the record date. The rights entitle the record-date shareholders to purchase one new common share for every three rights held. The rights were to be mailed to record-date shareholders approximately two business days after the record date. Record-date shareholders who fully exercise their rights will be entitled to subscribe for additional common shares of the fund that remain unsubscribed as a result of any unexercised rights by record-date shareholders. In addition, the fund—at its sole discretion—may elect to issue additional common shares in an amount up to 25% of the common shares issued in the primary subscription.

The subscription price per common share will be determined based upon a formula equal to the lesser of (1) 95% of the reported NAV on May 24, 2017 (the expiration date) or (2) 95% of the average of the last reported sales price of the fund's common shares on the NYSE on the expiration date and on each of the four trading days preceding the expiration date.

The Swiss Helvetia Fund, Inc. (SWZ), a nondiversified registered closed-end investment company, announced the final results of its one-time tender offer to acquire in exchange for cash up to 2,812,653 of its issued and outstanding common shares (representing approximately 10% of the fund's issued and outstanding shares as of the commencement of the offer). The offer expired at 5:00 p.m. Eastern Time on April 24, 2017. Based on information provided by American Stock Transfer & Trust Company, LLC, the depository for the offer, approximately 17,795,965 common shares or approximately 63% of the fund's outstanding shares as of the commencement of the offer were properly tendered, and the fund accepted



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2,812,653 shares for cash payment at a price equal to \$12.85 per share, which represented 98% of the fund's NAV per share as of the close of the regular trading session of the NYSE on April 25, 2017. Since the total number of shares tendered exceeded the number of shares the fund offered to purchase pursuant to the offer, on a pro-rated basis approximately 15.8% of the fund's shares tendered by each tendering shareholder were accepted for payment. Following the purchase of the properly tendered shares, the fund had approximately 25,313,872 outstanding shares.

MERGERS AND REORGANIZATIONS

The merger of **Virtus Total Return Fund (DCA)** with and into **The Zweig Fund, Inc. (ZF)** was completed. DCA ceased trading as of the close of trading on the NYSE on March 31, 2017. Prior to the open of trading on the NYSE, each common share of DCA converted into an equivalent dollar amount (to the nearest \$0.0001) of common shares of ZF. The conversion price was based on each fund's NAV per share calculated at the close of business on Friday, March 31, 2017: ZF \$12.6634 and DCA \$4.9540. Based on those conversion prices, former DCA shareholders received 0.391206 common share of ZF for every common share of DCA they held. Also, The Zweig Fund changed its name to **Virtus Total Return Fund Inc.** and its CUSIP to 92837G100. It continues to trade with the "ZF" ticker symbol.

OTHER

Eaton Vance Corp (EV) confirmed that an equity options trader and portfolio manager formerly employed by Eaton Vance agreed to plead guilty to charges brought by the U.S. attorney for the District of Massachusetts. According to the Boston Globe, Kevin J. Amell, 45, of Hingham allegedly used funds he managed in an options scheme involving his personal brokerage accounts. According to the U.S. attorney's office in Boston, from December 2014 to February 2017 Amell used Eaton Vance funds to buy and sell options to himself to take advantage of changes in prices. He employed the scheme on an Eaton Vance CEF, the name of which was not disclosed. Amell resigned from the firm, which he joined in 2009.

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