FUNDMARKET INSIGHT REPORT

LIPPER RESEARCH SERIES

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The Month in Closed-End Funds: June 2019

Performance

For the fifth month in six, equity CEFs on average witnessed plus-side performance on both a NAV and market basis, rising 4.16% and 5.16%, respectively, for June. Meanwhile, for the sixth consecutive month, their fixed income CEF counterparts posted returns in the black on both a NAV (+1.02%) and market basis (+1.94%). Investors became more sanguine after learning May nonfarm payrolls came in lower than expected (perhaps a harbinger of near-term interest rate cuts) and on news that Mexico and the U.S. struck a deal to avoid tariffs. The NASDAQ Composite Price Only Index (+7.42%) and the Dow Jones Industrial Average Price Only Index (+7.19%, its best June performance since 1938) posted the strongest returns of the U.S. broad-based indices, while the S&P 500 Price Only Index (+6.89%) was the relative laggard. On the global side, the Xetra DAX Total Return Index posted the strongest returns of the group—rising 8.05% for the month—while the Shanghai Composite Price Only Index—posting a 3.29% gain—was the group relative laggard.

At the beginning of June, investors pushed the Dow Jones Industrial Average Index to its best weekly return of the year as a weaker-than-expected nonfarm payrolls report stoked hopes of a Fed rate cut. The Department of Labor announced the U.S. economy had added just 75,000 new jobs for May, missing analyst expectations of 185,000. However, the unemployment rate stayed steady at 3.6%. Investors focused on the chances that the Fed would lower rates in the near term, which some pundits feel will be a boon for equities.

Investors also cheered news that President Donald Trump tweeted that he suspended plans to impose tariffs on Mexico because the two countries came to terms over stemming the flow of migrants at the U.S. southern border. However, the following week, the Dow snapped its winning streak after China's foreign ministry said it would respond firmly if the U.S. insisted on intensifying its impasse with China. In addition, investors became slightly more cautious after a pair of oil tankers were attacked in the Strait of Hormuz, for which the U.S. blamed Iran, heightening fears of a U.S./Iran confrontation. As a result, crude oil futures rose as investors evaluated the likelihood of global oil disruptions.

Stocks closed higher at month-end, with the Dow posting its strongest June return since 1938 as investors looked optimistically on the chance that President Trump and Chinese President Xi Jinping would be able to put the China/U.S. trade spat back on track at the G-20 meeting in Japan over the weekend. Nonetheless, Treasuries rallied during the month on mounting uncertainty, pressuring yields.

The 10-year Treasury yield declined to its lowest closing value since November 8, 2016 (+2.00% on June 25 and 28). The Treasury curve shifted down along all maturities and continued to show signs of inversion for maturities between six months and 10 years for the month. The one-year yield witnessed the largest decline for the month—declining 29 bps, to 1.92%; followed by the six-month yield—declining 26 bps, to 2.09%; while the 30-year yield saw the smallest decline—6 bps, to 2.52%. The two-/10-year Treasury spread ended the month at 25 bps after a rise to 30 bps on June 21 and 24.

The Month in Closed-End Funds: June 2019

- For the fifth month in six, equity closed-end funds (CEFs) on average posted plus-side returns, gaining 4.16% on a net-asset-value (NAV) basis for June, while for the sixth month in a row, fixed income CEFs chalked up returns in the plus column (+1.02%).
- Only 18% of all CEFs traded at a premium to their NAV, with 20% of equity CEFs and 16% 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—167 basis points (bps) to 6.58%.
- Diversified Equity CEFs (+6.12%) posted the strongest positive returns of all equity CEF classifications for the month.
- The Emerging Markets Hard Currency Debt CEFs classification (+3.99%) posted the strongest plus-side returns in the fixed income universe for the month.
- For the eighth month in a row, the municipal debt CEFs macro-group posted a plus-side return on average (+0.48%), with all classifications in the group witnessing positive returns for June.

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DATA IS JUST THE BEGINNING

For June, the dollar weakened against the euro (-1.91%), the pound (-0.61%), and the yen (-0.65%). Commodity prices rose for the month, with near-month gold prices rising 7.96% to close the month at $1,409.70/ounce, and with front-month crude oil prices soaring 9.29% to close at $58.47/barrel.

For the month, 95% of all CEFs posted NAV-based returns in the black, with 97% of equity CEFs and 94% of fixed income CEFs chalking up returns in the plus column. For the second month in three, Lipper's world equity CEFs macro-group (+4.97%) outpaced its two equity-based brethren: domestic equity CEFs (+3.93%) and mixed-assets CEFs (+3.74%).

For the second month in three, the Diversified Equity CEFs classification (+6.12%) outperformed all other equity classifications, followed by Sector Equity CEFs (+5.55%) and Global CEFs (5.39%). Real Estate CEFs (+1.16%) was the relative laggard of the equity universe, bettered by Energy MLP CEFs (+2.98%) and Income & Preferred Stock CEFs (+3.02%). For the remaining equity classifications, returns ranged from 4.13% (Developed Markets CEFs) to 5.23% (Convertible Securities CEFs).

Three of the five top-performing equity CEFs were housed in Lipper's domestic equity CEFs macro-group. At the top of the chart was **ASA Gold & Precious Metals Limited** (**ASA**, was May's leader as well, housed in the Sector Equity CEFs classification), rising 15.99% on a NAV basis and traded at a 16.13% discount on June 28. Following ASA were **Gabelli Go Anywhere Trust** (**GGO**, housed in the Income & Preferred Stock CEFs classification and one of May's laggards), rising 10.26% and traded at a 4.13% discount on June 24 (its most recent trading day); **Sprott Focus Trust** (**FUND**, housed in the Diversified Equity CEFs classification), posting a 9.77% return and traded at a 10.61% discount on June 28; **Adams Natural Resources Fund** (**PEO**, warehoused in the Natural Resources CEFs classification), gaining 9.64% and traded at a 16.88% discount at month end; and **China Fund Inc.** (**CHN**, housed in Lipper's Emerging Markets CEFs classification), gaining 9.13% and traded at a 10.94% discount at month end.

For the month, the dispersion of performance in individual equity CEFs—ranging from minus 8.44% to positive 15.99%—was wider than May's spread, and significantly more skewed to the plus side. The 20 top-performing equity CEFs posted returns at or above 7.50%, while the 20 lagging equity CEFs were at or below 0.43%.

For the month, only five CEFs in the equity universe posted negative returns. The worst performing fund was housed in the Real Estate CEFs classification: **CC Real Estate Income Fund, Advisor Shares** (**XNVFX**, a feeder trust that does not trade on an exchange) shed 8.44% of its May-closing NAV. The second worst performing CEF was **India Fund** (**IFN**, warehoused in

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	97	59	40	20	76
Bond Funds	94	70	27	16	83
ALL CEFs	**95**	**65**	**32**	**18**	**80**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	JUNE	YTD	3-MONTH	CALENDAR-2018
Equity Funds	4.16	14.08	1.87	-8.89
Bond Funds	1.02	7.61	2.75	-0.76
ALL CEFs	**2.38**	**10.42**	**2.37**	**-7.28**

TABLE 3 NUMBER OF IPOs, YTD VERSUS PRIOR YEAR

	JUNE 2019	CALENDAR-2018
Conventional CEFs	4	3
Interval CEFs	10	33

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

3 MONTHS THROUGH 5/31/2019	147
COMPARABLE YEAR-EARLIER THREE MONTHS	163
CALENDAR 2017 AVERAGE	196

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

	JUNE 2019	CALENDAR-2018
ALL CEFs	**14**	**40**

Source: Lipper

the Emerging Markets CEFs classification), declining 0.44% and traded at a 10.21% discount.

As mentioned earlier, Treasuries rallied and the yield curve shifted down during the month. The 10-year Treasury yield settled down 14 bps for the month, at 2.00% (its lowest closing value since November 8, 2016), after rising to 2.15% on June 10 and 11. For the first month in five, world income CEFs jumped to the top of the leaderboard, posting a plus-side return on average (+3.21%), followed by domestic taxable bond CEFs (+1.18%) and municipal bond CEFs (+0.48%).

All of the domestic taxable fixed income CEF classifications posted plus-side returns for the month, with Corporate Debt BBB-Rated CEFs (Leveraged) (+2.55%), Corporate Debt BBB-Rated CEFs (+2.17%), and High Yield CEFs (Leveraged) (+2.04%) posting the strongest returns of the group. Loan Participation CEFs (+0.27%) and U.S. Mortgage CEFs (+1.03%) were the sub-group's relative laggards. The world income CEFs macro-group was propped up by the Emerging Markets Hard Currency Debt CEFs (+3.99%) and Global Income CEFs (+2.90%) classifications.

For the eighth consecutive month, the municipal debt CEFs macro-group posted a return in the black (+0.48%) on average, with all the classifications in the group experiencing plus-side returns for June. The California Municipal Debt CEFs (+0.58%), High Yield Municipal Debt CEFs (+0.54%), and Pennsylvania Municipal Debt CEFs (+0.52%) classifications posted the strongest returns of the group, while New York Municipal Debt CEFs (+0.40%) was the relative laggard. National municipal debt CEFs (+0.47%) underperformed their single-state municipal debt CEF counterparts (+0.48%) by 1 bp.

The four top-performing individual fixed income CEFs were housed in Lipper's world income CEFs macro-group. At the top of the fixed-income universe chart was **Morgan Stanley Emerging Markets Domestic Debt Fund** (**EED**, housed in the Emerging Markets Hard Currency Debt CEFs classification), returning 5.64% and traded at a 10.61% discount on June 28. Following EED were **First Trust/Aberdeen Global Opportunity Income Fund** (**FAM**, housed in the Global Income CEFs classification), returning 5.24% and traded at a 12.16% discount at month end; **Western Asset Emerging Markets Debt Fund** (**EMD**, housed in the Emerging Markets Hard Currency Debt CEFs classification), returning 5.11% and traded at a 11.28% discount on June 28; **BrandywineGLOBAL - Global Income Opportunities Fund Inc.** (**BWG**, warehoused in the Global Income CEFs classification), posting a 4.81% return and traded at a 15.66% discount at month end; and **Western Asset High Income Fund II** (**HIX**, housed in the High Yield CEFs [Leveraged] classification), tacking 4.41% onto its May month-end value and traded at a 5.65% discount on June 28.

For the remaining funds in the fixed income CEFs universe, monthly NAV-based performance ranged from minus 5.77% for **NexPoint Strategic Opportunities Fund** (**NHF**, housed in Lipper's High Yield CEFs [Leveraged] classification and traded at a 13.45% discount on June 28) to 4.39% for **Western Asset Global High Income Fund** (**EHI**, housed in Lipper's High Yield CEFs [Leveraged] classification and traded at a 9.23% discount at month end). The 20 top-performing fixed income CEFs posted returns at or above 3.46%, while the 20 lagging CEFs posted no gains or were in the red for the month. There were just 19 fixed income CEFs that witnessed negative NAV-based performance for June.

Premium and Discount Behavior

For June, the median discount of all CEFs narrowed 119 bps to 6.93%—still narrower than the 12-month moving average median discount (8.58%). Equity CEFs' median discount narrowed 104 bps to 7.20%, while fixed income CEFs' median discount narrowed 125 bps to 6.77%. Taxable bond CEFs' median discount witnessed the largest narrowing among the CEF macro-groups—167 bps to 6.58%, while the world equity CEFs macro-group witnessed the only widening of discounts—19 bps to 10.89%.

Gabelli Utility Trust (**GUT**, housed in the Utility CEFs classification) traded at the largest premium (+39.24%) in the CEFs universe on June 28, while **Dividend and Income Fund** (**DNI**, housed in the Income & Preferred Stock CEFs classification) traded at the largest discount (-23.59%) at month end.

For the month, 65% of all funds' discounts or premiums improved, while 32% worsened. In particular, 59% of equity CEFs and 70% of fixed income CEFs saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on June 28 (86) was five more than the number on May 31 (81).

CEF Events and Corporate Actions

IPOs

Principal Global Investors announced the launch of its first interval fund, the **Principal Diversified Select Real Asset Fund** (**PDSRX**), **Class A Shares**, which primarily invests in private real assets including infrastructure, natural resources, and real estate.

According to the press release, interval funds provide investors with exposure to less liquid investments while granting managers greater flexibility to invest in private, non-listed assets typically aligned with longer-term investment goals. Exposure to real assets provide investors with differentiated return streams offering the potential for enhanced risk-adjusted returns and income through various market cycle environments.

The launch of the fund is an extension of Principal Global Investor's asset allocation boutique, Principal Portfolio Strategies, which manages multi-asset and multi-manager strategies and helps to solve investors' need for income, diversification, and inflation protection.

Rights, Repurchases, Tender Offers

As previously announced in a press release dated March 27, 2019, the board of trustees of **Eaton Vance Municipal Bond Fund** (**EIM**) has authorized a conditional cash tender offer for up to 5% of the fund's outstanding common shares, provided that during a 120-day period announced by the fund, the fund's common shares trade at an average discount to net asset value (NAV) of more than 6% (based upon the average of the difference between its volume-weighted average market price and NAV each business day during the period). The 120-day period for the conditional tender offer commenced on June 4, 2019, and will end on October 1, 2019. If triggered, the conditional tender offer would be at 98% of NAV per share as of the close of regular trading on the New York Stock Exchange (NYSE) on the date the tender offer expires. The conditional tender offer, if triggered, would begin on or before November 29, 2019. If the condition is triggered, the fund will issue a press release providing notification and additional information about the tender offer.

Clough Global Opportunities Fund (**GLO**) announced that a preliminary registration statement will be filed with the Securities and Exchange Commission (SEC) relating to the offering of additional common shares of the fund pursuant to a rights offering. The fund will be issuing transferable subscription rights to its common shareholders, on a record date to be set by the fund's board of trustees, who will be allowed to subscribe for new common shares of the fund. Record date shareholders will receive one right for each common share held on the record date. For every five rights held, a holder of rights may buy one new common share of the fund. Record date shareholders who fully exercise all rights initially issued to them in the primary subscription will be entitled to buy those common shares that are not purchased by other holders of rights. The rights offering is subject to the effectiveness of the fund's registration statement to be filed with the SEC and will be made only by means of a prospectus.

Invesco Advisers, Inc., a subsidiary of Invesco Ltd. announced plans for tender offers for **Invesco Dynamic Credit Opportunities Fund** (**VTA**), **Invesco High Income Trust II** (**VLT**), and **Invesco Senior Income Trust** (**VVR**).

Invesco Dynamic Credit Opportunities Fund's board of trustees has approved the commencement (subject to certain conditions) prior to January 1, 2020, of a cash tender offer for up to 15% of the fund's outstanding common shares of beneficial interest at a price per share equal to 98.5% of the fund's NAV per share.

Invesco High Income Trust II's board of trustees has approved the commencement (subject to certain conditions) prior to January 1, 2020, of a cash tender offer for up to 20% of the fund's outstanding common shares of beneficial interest at a price per share equal to 98.5% of the fund's NAV per share.

Invesco Senior Income Trust's board of trustees has approved the commencement (subject to certain conditions) prior to January 1, 2020, of a cash tender offer for up to 15% of the fund's outstanding common shares of beneficial interest at a price per share equal to 98.5% of the Fund's NAV per share.

Each fund will repurchase shares tendered and accepted in the respective tender offer in exchange for cash. In the event any tender offer is oversubscribed, shares will be repurchased on a pro rata basis. The commencement of the tender offers is pursuant to agreements between each fund and Saba Capital Management, L.P. (Saba) and certain associated parties. Pursuant to the agreements, Saba has agreed to be bound by certain standstill covenants. The funds have been advised that Saba will file copies of the agreements with the SEC as exhibits to its Schedule 13D.

Aberdeen Emerging Markets Equity Income Fund, Inc. (**AEF**) announced the final results of its cash tender for up to 15% of the fund's outstanding shares, or 8,956,196 shares. The offer expired on June 17, 2019. Based on current information provided by Computershare Trust Company N.A., the depositary of the tender offer, approximately 38,841,183 shares of common stock—or 65.1% of the fund's outstanding stock—was properly tendered. The fund has accepted, subject to adjustment for fractional shares, 8,956,196

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shares for cash payment at a price equal to $7.86, which represents 98% of the fund's NAV as of the close of regular business on the NYSE American on June 18, 2019. Since the total number of shares tendered exceeded the number of shares the fund offered to purchase, all tenders of shares were subject to proration (at a ratio of approximately 0.2306) in accordance with terms of the tender offer. Following the purchase of the properly tendered shares, the fund will have 50,751,778 outstanding shares.

Mergers and Reorganizations

The **Nuveen High Income December 2019 Target Term Fund** (**JHD**) has entered the wind-up period in anticipation of its termination date. The fund is a "target term" fund that will cease its investment operations and liquidate its portfolio on December 1, 2019, and distribute the net proceeds to shareholders, unless the term is extended for a period of up to six months by a vote of the fund's board of trustees.

The fund has the investment objective to provide a high level of current income and to return the fund's original $9.86 NAV to shareholders at termination. The objective to return the fund's original NAV is not an express or implied guarantee obligation of the fund or any other entity. Under normal circumstances, the fund invests at least 80% of its managed assets in corporate debt securities and, separately, at least 80% of its managed assets in securities that, at the time of investment, are rated below investment grade or unrated but judged by the fund's subadvisor to be of comparable quality. Below investment grade refers to securities rated BB+/Ba1 or lower.

During the wind-up period, the fund may deviate from its investment objectives and policies, and may invest up to 100% of its managed assets in high quality, short-term securities. High quality, short-term securities for this fund include securities rated investment grade (BBB-/Baa3 or higher or unrated but judged by the fund's subadviser to be of comparable quality) with a final or remaining maturity of 397 days or less. Consequently, for the remainder of its term, the fund will invest at least 80% of its managed assets in (i) below investment grade securities; and (ii) short-term investment grade securities that have a final or remaining maturity of 397 days or less, so long as the maturity of any security in the fund does not occur later than June 1, 2020. These expanded investment parameters currently will provide the fund additional flexibility to reinvest the proceeds of matured or called portfolio securities in higher quality, short-term securities. As the fund gets closer to its termination date, the fund will begin to affirmatively transition its remaining below investment grade portfolio holdings to such high quality, short-term securities to enhance its ability to efficiently liquidate its portfolio at termination.

The fund has also completed the process of redeeming and retiring its leverage in anticipation of its termination date.

As described in the fund's prospectus, the general shortening of the time-to-maturity of the fund's portfolio securities as the fund approaches its termination date, the elimination of leverage, and the repositioning of the fund's portfolio into higher-quality securities as part of the wind-up process will tend to reduce interest rate and credit risk, as well as improve portfolio liquidity. It will also, however, tend to reduce the amount of income available to pay as dividends to common shareholders.

Other

The board of trustees of **Eaton Vance Floating-Rate Income Plus Fund** (**EFF**) has approved changes to the fund's investment policies. Under normal market conditions, the fund invests at least 80% of its total assets in senior secured floating-rate loans, and may invest up to 20% of its total assets in debt obligations other than such loans. Currently, the fund may not invest in collateralized debt obligations and may invest up to 5% of its total assets in collateralized loan obligations. Pursuant to its revised policies, which are effective immediately, the fund may invest up to 20% of its total assets in collateralized loan obligations and collateralized debt obligations. Effective June 24, 2019, the fund's portfolio management team will include Scott H. Page, William E. Holt, Catherine C. McDermott, Daniel P. McElaney, Craig P. Russ, and Andrew N. Sveen.

The allocation change follows the departure of Kathleen Gaffney, who previously served as a portfolio manager on a sleeve of the fund focused on a multi-sector strategy, according to Christopher Remington, institutional portfolio manager at Eaton Vance. With her departure, Eaton Vance is bringing EFF in line with its other floating-rate closed-end funds that also have the ability to invest in CLOs, though Remington noted that the allocation to the structured vehicles is typically less than 10%.

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