

FUNDMARKET INSIGHT REPORT

LIPPER RESEARCH SERIES

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The Month in Closed-End Funds: August 2019

Performance

For the first month in three, equity CEFs on average witnessed down-side performance on both a NAV and market basis, declining 1.48% and 2.77%, respectively, for August. Meanwhile, for the eighth consecutive month, their fixed income CEF counterparts posted returns in the black on both a NAV (+0.84%) and market basis (+0.28%). As market volatility increased, with wild swings in both directions and deteriorating trade negotiations between China and the U.S., investors chose to sit on the sidelines or seek safe-haven assets for the month of August. The Russell 2000 Price Only Index (-5.07%) and the NASDAQ Composite Price Only Index (-2.60%) posted the largest declines of the U.S. broad-based indices, while the Dow Jones Industrial Average Price Only Index (-1.72%) was the relative leader. On the global side, the FTSE 100 Price Only Index suffered the biggest losses of the group—losing 5.52% for the month—bettered slightly by the Shanghai Composite Price Only Index—posting a 5.16% loss.

At the beginning of August, investors pushed all three broad-based indices to their lowest levels in a month after President Donald Trump tweeted that the U.S. would impose 10% tariffs on the remaining \$300 billion of imported Chinese goods and products and China's spokesperson said Beijing would implement countermeasures. Investors turned a cold shoulder to the July nonfarm payrolls report, which showed the U.S. economy had added 164,000 new jobs for June, in line with analyst expectations. The unemployment rate was unchanged at 3.7%. In a risk-off move, investors pushed the price of near-month gold prices to its strongest close in more than six years, and the 10-year Treasury yield tumbled to 1.89%.

The following week, investors cautiously embraced news that Trump told reporters that "things are going very well with China," which helped stocks claw back most of the losses they witnessed the week before. Despite Italian government bonds floundering after the head of the far-right League party, Deputy Prime Minister Matteo Salvini, sought to dissolve parliament and trigger elections, investors appeared to calm after learning that the Producer Price Index (PPI) showed wholesale prices matched analyst expectations and core PPI dipped 0.1%, its first decline in almost four years.

Market volatility increased significantly midmonth, with the Dow suffering its third consecutive week of losses as investors weighed the news that retail sales came in better than expected against concerns of rising U.S./China trade tensions, declining consumer sentiment, and falling bond yields.

Toward month end, stocks witnessed another week of downside performance after the U.S./China trade war intensified. China announced new tariffs of 5% and 10% on \$75 billion of U.S. imports in retaliation for Trump's new tariffs. Both were scheduled to begin on September 1. Despite Federal Reserve Chair Jerome Powell leaving the door open for another interest rate cut in September during his speech at the Fed's Jackson Hole retreat, Trump lambasted Powell for not being more dovish. In a flight to safety, investors pushed the 10-year yield below the two-year yield on an intraday basis, with the two-/10-year Treasury spread closing in inverted territory for the first time since June 2007. At month end, however, stocks ended mostly higher, trimming August losses after China's foreign minister said U.S./China negotiators were maintaining effective communications.

The Month in Closed-End Funds: August 2019

- For the first month in three, equity closed-end funds (CEFs) on average posted negative returns, losing 1.48% on a net-asset-value (NAV) basis for August, while for the eighth month in a row, fixed income CEFs chalked up returns in the plus column (+0.84%).
- Only 19% of all CEFs traded at a premium to their NAV, with 19% of equity CEFs and 19% of fixed income CEFs trading in premium territory. The single state municipal debt CEFs macro-classification witnessed the smallest widening of discounts for the month among Lipper's CEF macro-groups—12 basis points (bps) to 8.49%.
- Utility CEFs (+1.63%) posted the strongest positive returns of all equity CEF classifications for the month.
- The California Municipal Debt CEFs classification (+2.81%) posted the strongest plus-side returns in the fixed income universe for the month.
- For the tenth month in a row, the municipal debt CEFs macro-group posted a plus-side return on average (+2.39%), with all classifications in the group witnessing positive returns for August.



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As one might expect, with the flight to safety pressuring yields and an increased likelihood of another near-term interest rate cut, yields declined at all maturities during the month, with the 10-, 20- and 30-year Treasury yields witnessing 52, 53, and 57 bps declines, respectively, to 1.50%, 1.78%, and 1.96%. The Treasury curve inverted. The three-month yield witnessed the smallest decline for the month—dropping 9 bps, to 1.99%. The two-/10-year Treasury spread ended the month flat after dipping to minus 4 bps on August 27.

For August, the dollar weakened against the euro (-1.24%) and the yen (-2.51%) but strengthened against the pound (+2.63%). Commodity prices were mixed for the month, with near-month gold prices rising 6.52% to close the month at \$1,409.70/ounce, and with front-month crude oil prices declining 5.94% to close at \$55.10/barrel.

For the month, 51% of all CEFs posted NAV-based returns in the black, with only 36% of equity CEFs and 62% of fixed income CEFs chalking up returns in the plus column. For the second month in a row, Lipper's mixed-asset CEFs macro-group (-0.37%) mitigated losses better than its two equity-based brethren: domestic equity CEFs (-1.61%) and world equity CEFs (-2.15%).

For the first month in 14, the Utility CEFs classification (+1.63%) outperformed all other equity classifications, followed by Real Estate CEFs (+1.18%) and Income & Preferred Stock CEFs (-0.17%). Energy MLP CEFs (-6.90%) was the laggard of the equity universe, bettered by Natural Resources CEFs (-5.25%) and Emerging Markets CEFs (-2.81%). For the remaining equity classifications, returns ranged from negative 2.40% (Diversified Equity CEFs) to minus 0.45% (Sector Equity CEFs).

Three of the five top-performing equity CEFs were housed in Lipper's Real Estate CEFs classification. However, at the top of the chart was **ASA Gold & Precious Metals Limited (ASA)**, housed in the Sector Equity CEFs classification, rising 11.82% on a NAV basis and traded at a 17.29% discount on August 30. Following ASA were **Cohen & Steers Quality Income Realty Fund, Inc. (RQI)**, rising 5.98% and traded at a 0.87% premium at month end; **Cohen & Steers Total Return Realty Fund, Inc. (RFI)**, posting a 4.88% return and traded at a 2.23% premium on August 30; **Cohen & Steers REIT & Preferred Income Fund, Inc. (RNP)**, gaining 4.56% and traded at a 4.15% discount at month end; and **DNP Select Income Fund, Inc. (DNP)**, housed in Lipper's Utility CEFs classification, gaining 3.92% and traded at a 19.12% premium at month end.

For the month, the dispersion of performance in individual equity CEFs—ranging from minus 17.24% to positive 11.82%—was wider than July's spread, and more skewed to the negative side. The 20 top-performing equity CEFs posted returns at or above

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	36	28	72	19	80
Bond CEFs	62	28	67	19	81
ALL CEFs	51	28	69	19	80

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	AUGUST	YTD	3-MONTH	CALENDAR-2018
Equity CEFs	-1.48	12.41	2.58	-8.89
Bond CEFs	0.84	9.41	2.68	-0.76
ALL CEFs	0.17	10.72	2.64	-7.28

TABLE 3 NUMBER OF IPOs, YTD VERSUS PRIOR YEAR

	AUG 2019	CALENDAR-2018
Conventional CEFs	7	3
Interval CEFs	10	33

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

THREE MONTHS THROUGH 7/31/2019	1,362
COMPARABLE YEAR-EARLIER THREE MONTHS	67
CALENDAR 2018 AVERAGE	196

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

	AUG 2019	CALENDAR-2018
ALL CEFs	15	40

TABLE 6 MEDIAN PREMIUMS AND DISCOUNTS (%)

	31-MAY	28-JUN	31-JUL	30-AUG
Equity CEFs	-8.24	-7.20	-5.49	6.24
Bond CEFs	-8.02	-6.77	-6.11	-7.00
ALL CEFs	-8.11	-6.93	-5.65	-6.85

Source: Lipper from Refinitiv

1.59%, while the 20 lagging equity CEFs were at or below negative 6.16%.

For the month, 171 CEFs in the equity universe posted negative returns. The worst performing fund was housed in the Natural Resources CEFs classification: **Tortoise Energy Independence Fund, Inc. (NDP)** shed 19.05% of its July-closing NAV and traded at a 9.73% discount. The second worst performing CEF was **Goldman Sachs MLP Income Opportunities Fund (GMZ)**, warehoused in the Energy MLP CEFs classification, declining 11.88% and traded at a 0.14% premium.

As mentioned earlier, the Treasury curve shifted down considerably, with the long end seeing the largest declines during the month. The 10-year Treasury yield settled down 52 bps for the month, at 1.50%, after declining to 1.47% on August 28. For the first month in three, municipal bond CEFs moved to the top of the leaderboard, posting a plus-side return on average (+2.39%), followed by domestic taxable bond CEFs (+0.01%) and world income CEFs (-2.39%).

Only four of the domestic taxable fixed income CEF classifications posted plus-side returns for the month, with Corporate BBB-Rated Debt CEFs (+2.27%), Corporate BBB-Rated Debt CEFs (Leveraged) (+1.58%), and U.S. Mortgage CEFs (+0.94%) posting the strongest returns of the group. High Yield CEFs (-0.49%) and Loan Participation CEFs (-0.48%) were the sub-group's laggards. The world income CEFs macro-group was dragged down by the Emerging Markets Hard Currency Debt CEFs (-5.53%) and Global Income CEFs (-1.17%) classifications.

For the tenth consecutive month, the municipal debt CEFs macro-group posted a return in the black (+2.39%) on average, with all the classifications in the group experiencing plus-side returns for August. The California Municipal Debt CEFs (+2.81%), New York Municipal Debt CEFs (+2.60%), and General & Insured Municipal Debt CEFs (Leveraged) (+2.49%) classifications posted the strongest returns of the group, while Intermediate Municipal Debt CEFs (+1.25%) was the relative laggard. National municipal debt CEFs (+2.32%) underperformed their single-state municipal debt CEF counterparts (+2.49%) by 17 bps.

Two of the five top-performing individual fixed income CEFs were housed in Lipper's General Bond CEFs classification. At the top of the fixed income universe chart was **BlackRock Taxable Municipal Bond Trust (BBN)**, returning 5.68% and traded at a 1.33% discount on August 30. Following BBN were **BlackRock Core Bond Trust (BHK)**, housed in the Corporate BBB-Rated Debt CEFs (Leveraged) classification, returning 5.25% and traded at a 7.79% discount at month end; **PIMCO California Municipal Income Fund II (PCK)**, housed in the California Municipal Debt CEFs classification, returning 4.62% and traded at a 5.65% premium on August 30; **Nuveen Taxable Municipal Income Fund (NBB)**, warehoused in the General Bond CEFs classification),

posting a 4.50% return and traded at a 1.39% discount at month end; and **PIMCO New York Municipal Income Fund (PNF)**, housed in the New York Municipal Debt CEFs classification, tacking 4.34% onto its July month-end value and traded at a 9.98% premium on August 30.

For the remaining funds in the fixed income CEFs universe, monthly NAV-based performance ranged from minus 9.56% for **Templeton Emerging Markets Income Fund (TEI)**, housed in Lipper's Emerging Markets Hard Currency Debt CEFs classification and traded at a 7.47% discount on August 30) to 4.12% for **PIMCO New York Municipal Income Fund II (PNI)**, housed in Lipper's New York Municipal Debt CEFs classification and traded at a 1.26% premium at month end). The 20 top-performing fixed income CEFs posted returns at or above 3.12%, while the 20 lagging CEFs posted returns at or below negative 2.14% for the month. There were just 129 fixed income CEFs that witnessed negative NAV-based performance for August.

Premium and Discount Behavior

For August, the median discount of all CEFs widened 120 bps to 6.85%—still narrower than the 12-month moving average median discount (8.36%). Equity CEFs' median discount widened 75 bps to 6.24%, while fixed income CEFs' median discount widened 89 bps to 7.00%. Single state municipal debt CEFs' median discount witnessed the smallest widening among the CEF macro-groups—12 bps to 8.49%—while the high yield bond CEFs macro-group witnessed the largest widening of discounts—136 bps to 8.56%.

Stone Harbor Emerging Markets Income Fund (GUT), housed in the Emerging Markets Hard Currency Debt CEFs classification) traded at the largest premium (+39.02%) in the CEFs universe on August 30, while **Dividend and Income Fund (DNI)**, housed in the Income & Preferred Stock CEFs classification) traded at the largest discount (-22.31%) at month end.

For the month, only 28% of all funds' discounts or premiums improved, while 69% worsened. In particular, 28% of equity CEFs and 28% of fixed income CEFs saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on August 30 (91) was 14 less than the number on July 31 (105).

CEF Events and Corporate Actions IPOs

There were no CEF IPOs in August.

Eagle Point Income Company Inc. (EIC) announced that it has completed the sale of an additional 162,114 shares of its common stock pursuant to the exercise by the underwriters of the over-allotment option granted to them in connection with its previously announced initial public offering of 1,200,000 shares of common stock, which was completed on July 26, 2019. The exercise of the over-allotment option resulted in additional net proceeds to the company of approximately \$3.2 million. Eagle Point Income Management, LLC, the company's investment adviser, or its affiliates paid or will pay the full amount of the sales load in connection with this initial public offering, including the over-allotment option, and all of the company's organizational expenses and offering expenses incurred prior to or in connection with the initial public offering that exceed \$750,000 (excluding the sales load). The company intends to use the proceeds from the offering of its common stock to acquire investments in accordance with its investment objectives and strategies and for general working capital purposes. Shares of the company's common stock began trading on the New York Stock Exchange (NYSE) on July 24, 2019.

Rights, Repurchases, Tender Offers

Western Asset Middle Market Income Fund Inc. (XWMFX) announced that the fund's board of directors has approved a tender offer to purchase for cash up to 2.5% of the fund's outstanding shares of common stock, subject to the right to purchase up to an additional 2% of the fund's outstanding shares without amending or extending the offer. The tender offer will be conducted at a price equal to the fund's net asset value (NAV) per share of common stock on the day on which the tender offer expires. The fund intends to commence its tender offer on or about September 4, 2019, with the expiration of the tender offer currently expected to be October 3, 2019.

The board of trustees of **The Gabelli Healthcare & Wellness (Rx) Trust (GRX)** reaffirmed the fund will continue to repurchase its common shares, within the applicable regulatory parameters, when the shares are trading at a discount of 10% or more from the NAV per share. Pursuant to this share repurchase plan, through August 21, 2019, the fund has repurchased and retired 1,636,499 common shares in the open market at an average discount of approximately 14% from its NAV. The fund has repurchased 306,086 common shares year to date.

Clough Global Equity Fund (GLQ) announced the successful completion, and final results, of its rights

offering. The fund will issue a total of 2,205,138 new common shares as a result of the rights offering, which closed on August 23, 2019. The fund received subscriptions for more than 250% of the original offering. Accordingly, the shares issued as part of the over-subscription privilege of the rights offering will be allocated pro-rata among record date shareholders who over-subscribed based on the number of rights originally issued to them by the fund. The subscription price of \$11.24 per share was established on the expiration date based upon a formula equal to 95% of the reported market price per share, based on the average of the last reported sales price of a common share on the NYSE for the five trading days preceding the expiration date.

Clough Global Dividend and Income Fund (GLV) announced the successful completion, and final results, of its rights offering. The fund will issue a total of 1,401,287 new common shares as a result of the rights offering, which closed on August 23, 2019. The fund received subscriptions for more than 170% of the original offering. Accordingly, the shares issued as part of the over-subscription privilege of the rights offering will be allocated pro-rata among record date shareholders who over-subscribed based on the number of rights originally issued to them by the fund. The subscription price of \$10.42 per share was established on the expiration date based upon a formula equal to 85% of the reported NAV on the expiration date.

OFS Credit Company, Inc. (OCCI), announced the results of its non-transferable rights offering, which expired on August 27, 2019. The offering was expected to result in the issuance of 556,033 additional shares of the company's common stock. The foregoing results are based upon the subscriptions for shares received and remain subject to receipt of final payment for such shares in accordance with the terms and conditions of the offering. Affiliates of OFS Capital Management, LLC, investment adviser to the company, owned approximately 13.1% of the company's common stock prior to the offering and fully exercised all rights issued to them in connection with the offering. Estimated net proceeds after payment of dealer manager fees are expected to be approximately \$8.9 million, before expenses. The company plans to use the net proceeds from this offering to acquire investments in accordance with its investment objectives and strategies and for general working capital purposes. The subscription price for the offering was \$16.50 per share.

The company issued to its stockholders of record as of July 31, 2019, non-transferable rights to subscribe for up to 1,254,000 shares of the company's common stock. Record date stockholders received one non-transferable right for each outstanding share of common stock owned on the record date. The rights,



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which entitled holders to purchase one new share of common stock for every two rights held, were not listed for trading on the Nasdaq Capital Market or any other stock exchange.

Highland Capital Management Fund Advisors, L.P., announced today that the board of trustees of the **Highland Global Allocation Fund (HGLB)** approved up to an additional \$20 million of share repurchases of the fund's shares and an extension of the repurchase program for a period of six months. This comes following the fund's completion of \$10 million in share repurchases in July, which the board approved in conjunction with the conversion of the fund from an open-end fund to a closed-end fund. The fund converted to closed-end fund in February 2019. With the latest board approval, the fund's total repurchases may reach a maximum of \$30 million.

The extended repurchase program provides a six-month period in which the fund may repurchase the additional \$20 million of shares in the open market pursuant to the same conditions as set forth in the Highland Funds II October 2018 definitive proxy statement. The extension period commenced August 15, 2019.

Mergers and Reorganizations

Shareholders of **Nuveen Mortgage Opportunity Term Fund (JLS)** and **Nuveen Mortgage Opportunity Term Fund 2 (JMT)** approved a series of proposals relating to a restructuring of the funds which will allow shareholders the opportunity to maintain their exposure to securitized credit in lieu of the upcoming scheduled termination of each fund. The restructuring of each fund will include (i) an amendment to each fund's charter to eliminate the term; (ii) a change in each fund's investment objective to generate high current income through opportunistic investments in securitized credit; (iii) updated investment policies for each fund to invest at least 65% of managed assets in mortgage-backed securities (MBS), including residential MBS and commercial MBS, and to invest up to 35% in non-mortgage related asset-backed securities including, but not limited to, consumer, auto, collateralized loan obligations, solar, timeshare, aircraft and catastrophe bonds; (iv) a change in each fund's name—JLS will be renamed "Nuveen Mortgage and Income Fund" and JMT will be renamed "Nuveen Mortgage and Income Fund 2"; and (v) a new investment management agreement with Nuveen Fund Advisors, LLC, that provides for a lower fund-level management fee at each asset level and a new subadvisory agreement with Teachers Advisors, LLC. Aashh Parekh, Nick Travaglino, and Steve Virgilio of Teachers Advisors, LLC, will serve as portfolio managers for the restructured funds.

Prior to the effectiveness of the restructuring, each fund will conduct a tender offer allowing shareholders

to offer up to 100% of their shares for repurchase at NAV. Nuveen expects to announce the tender offers shortly. If the total number of a fund's shares properly tendered are at or below the level set in the Offer to Purchase, the tender offer will be completed and the restructuring proposals described above will be implemented. If the total number of a fund's shares properly tendered in the tender offer are above the level set in the Offer to Purchase, the tender offer will be canceled with no common shares repurchased, the restructuring proposals will not be implemented and instead, that fund will proceed to terminate as scheduled pursuant to its original term. In the interim period, the funds may not be fully invested in accordance with their investment policies in order to raise liquid assets in anticipation of payments to either tendering shareholders or to all shareholders in liquidation of the funds in connection with their scheduled termination.

Other

Thomas J. Herzfeld Advisors, Inc., announced that the board of directors of **The Herzfeld Caribbean Basin Fund, Inc. (CUBA)**, has revised the fund's managed distribution plan announced on May 31, 2019. The board has revised the plan to provide for quarterly distributions, rather than monthly, at an annual rate (currently set at 15% of the fund's NAV for the fiscal year ending June 30, 2019, payable in quarterly installments), and has determined to implement the plan without seeking exemptive relief at this time. The fund may apply for exemptive relief at a later date to the extent determined necessary or appropriate. Based on the fund's NAV on June 30, 2019, the fund expects to distribute \$1.1385 during the current fiscal year ending June 30, 2020, in four quarterly installments of \$0.284625, the first of which is expected to be declared and paid in September 2019.

The fund expects that distributions under the plan will exceed investment income and capital gains, and thus expects that such distributions will likely include return of capital for the foreseeable future. A return of capital does not reflect the fund's investment performance and should not be confused with "yield" or "income." Any such returns of capital will decrease the fund's total assets and, therefore, could have the effect of increasing the fund's expense ratio. Distributions designated as return-of-capital are not taxed as ordinary income dividends and are referred to as tax-free dividends or nontaxable distributions. A return-of-capital distribution reduces the cost basis of an investor's shares in the fund.

Eagle Growth and Income Opportunities Fund (EGIF) announced several actions related to previously announced changes to the fund's current investment advisory and subadvisory arrangements. The fund previously announced that the fund's board of trustees

approved THL Credit Advisors, LLC, to serve as the investment adviser to the fund, replacing Four Wood Capital Advisors, LLC. The board also approved the retention of Eagle Asset Management, Inc., the fund's current subadviser, under the supervision of THL Credit. The changes were effective August 31, 2019, when THL Credit and Eagle commenced serving pursuant to interim advisory and subadvisory agreements that were approved by the board on August 16, 2019.

In order to ensure the continued management of the fund's assets, the board has considered and approved a new, non-interim advisory agreement between the fund and THL Credit and a new, non-interim subadvisory agreement between THL Credit and Eagle, each of which will be subject to approval by the fund's shareholders later this year. As previously announced, the changes to the fund's advisory arrangements are expected to lower the fund's overall expense ratio.

As previously announced, the changes to the fund's advisory arrangements are expected to enhance the fund's original investment strategy, which in part seeks current income over the fund's limited term. As of the effective date, THL Credit will actively manage a portion of the fund's assets allocated to debt securities. The addition of THL Credit is intended to enhance the breadth of capabilities in income-producing securities through THL Credit's expertise in bank loans, high yield bonds, and structured credit investments. Accordingly, the board has considered and approved, effective as of the effective date, certain changes to the fund's permitted investments. Specifically, the board approved an increase in the percentage of the fund's managed assets that may be invested in a combination of below investment grade securities and debt instruments that generate payment-in-kind interest from 20% to 30%. In addition, the board approved collateralized loan obligations as permitted investments for the fund. THL Credit and Eagle expect this diversification of asset classes to facilitate the fund as a tactical allocation fund across both equity and fixed income markets, as originally marketed to investors, including through enhanced investment opportunities across the fixed income spectrum. THL Credit and Eagle will establish an allocation committee to regularly review the fund's tactical asset allocations among dividend or other income paying equity securities and debt securities.

The board of trustees of **Nuveen Energy MLP Total Return Fund (JMF)** and **Nuveen All Cap Energy MLP Opportunities Fund (JMLP)** have approved both an interim investment subadvisory agreement and a new investment subadvisory agreement with Tortoise Capital Advisors, LLC. The board determined that the new investment subadvisory agreement would be presented to the fund's shareholders for approval at an upcoming shareholder meeting.

The new investment subadvisory agreements were approved in connection with a previously announced transaction whereby Tortoise Capital Advisors will acquire the midstream energy business of Advisory Research, Inc., from its current owner, Piper Jaffray Companies. In the transaction, the members of the funds' current portfolio management team will join Tortoise Capital Advisors. Consummation of the transaction will result in an assignment and termination of the funds' existing subadvisory agreements with Advisory Research. The parties have stated that they expect the transaction to be consummated during the third quarter.

To assure continuity of subadvisory services after the transaction, the interim agreement will take effect upon consummation of the transaction. Tortoise Capital Advisors will continue to serve as each

fund's subadviser under the interim agreement until the earlier of 150 days after the closing of the transaction or when shareholders approve the new subadvisory agreement. If shareholders of a fund do not approve the new subadvisory agreement prior to the end of the interim period, the board will take such action as it deems to be in the best interests of the fund. If the transaction is not consummated, Advisory Research will continue to act as subadviser under the current subadvisory agreements.

The **Wells Fargo Global Dividend Opportunity Fund (EOD)** announced that the fund's board of trustees has approved the following changes to the fund: (i) changes to the fund's principal investment strategy; (ii) changes to subadvisory arrangement and portfolio management personnel; and (iii) a reduction in investment advisory fees payable by the fund to Wells Fargo Funds Management, LLC (Funds Management), the fund's investment adviser. All of the changes are effective on or about October 15, 2019.

The fund's primary investment objective will remain to seek a high level of current income. The fund's secondary objective will remain long-term growth of capital. There will be no changes to these investment objectives. The equity portion of the fund's investment strategy no longer expects to invest at least 65% of its total assets in securities of issuers in the utilities, energy, and communication services sectors. Instead, the equity sleeve expects to invest normally in approximately 60 to 80 securities, broadly diversified among major economic sectors and regions. The targeted sector and region weighting goal will be plus or minus 5% of weights in the MSCI ACWI and according to Wells Capital Management's proprietary region classification. Fundamental research will be carried out systematically using quantitative investment methodology that dynamically ranks stocks based on insider/management signaling, momentum/sentiment, relative value, and short-term indicators. The model will combine both universe and sector factors that display positive predictive alpha. After more screening, further individual qualitative analysis will evaluate aspects of the companies, such as management strength, industry positioning of products and services, and risk profile.

The equity sleeve will no longer allow for a focus on convertible debt and will no longer allow for short sales on equity securities. The fund will no longer seek to emphasize equity securities that pay dividends qualifying for favorable tax treatment. Finally, the equity sleeve's investment parameters that specified a specific percentage (or range) of assets to be invested in foreign securities (including emerging markets) and a minimum number of countries in which the sleeve intended to invest are being eliminated.

Crow Point Partners, LLC, will no longer serve as a subadvisor to the fund and, as a result, Timothy O'Brien, CFA, of Crow Point Partners, will no longer be a portfolio manager for the fund. The assets of the fund previously managed by Crow Point Partners will be managed by Wells Capital Management Incorporated, the fund's other subadviser.

In light of the increased responsibility to be assigned to Wells Capital Management, Funds Management has agreed, and the board has approved, to increase the subadvisory fee paid by Funds Management (not the fund) to Wells Capital Management from 0.20% of average daily total assets per year to 0.40% of average daily total assets per year. It is important to note that this subadvisory fee is paid from Funds Management's own assets and is not paid by the fund, and the aggregate subadvisory fee paid by Funds Management

will remain unchanged at 0.40%. Funds Management is entitled to receive a fee at an annual rate of 0.95% of the fund's average daily total assets. This investment advisory fee paid by the fund to Funds Management will be reduced by 0.10% to 0.85% of the fund's average daily total assets.

The **Wells Fargo Utilities and High Income Fund (ERH)** announced that the fund's board of trustees has approved the following changes to the fund: (i) Changes to the fund's principal investment strategy; (ii) changes to subadvisory arrangement and portfolio management personnel; (iii) a reduction in investment advisory fees payable by the fund to Wells Fargo Funds Management, LLC (Funds Management), the fund's investment advisor; and (iv) the commencement of a managed distribution plan by the fund. All of the changes are effective on or about October 15, 2019, with the exception of the managed distribution plan, which will be effective according to the stated timeline.

The fund's investment objective will remain to seek a high level of current income and moderate capital growth, with an emphasis on providing tax-advantaged dividend income. There will be no changes to the investment objective. The equity sleeve of the fund will continue to focus on the common stocks of utilities companies but will no longer allow for a focus on convertible debentures. Utilities companies may include, for example, companies that provide basic services such as water, sewage, and the transmission, generation, and distribution of electricity, and transmission and distribution of natural gas. The equity sleeve also intends to remove its parameters regarding the number of utilities companies in which it normally invests and will no longer emphasize investments in telecommunications companies. In addition, the fund will no longer make significant use of the dividend capture strategy to generate income in the portfolio. Finally, the fund's description of its investment process for the equity portion of the fund will change.

Crow Point Partners, LLC, will no longer serve as a subadvisor to the fund and, as a result, Timothy O'Brien, CFA, of Crow Point Partners, will no longer be a portfolio manager for the fund. The assets of the fund previously managed by Crow Point Partners will be managed by Wells Capital Management Incorporated, the fund's other subadvisor. In light of the increased responsibility to be assigned to Wells Capital Management, Funds Management has agreed, and the Board has approved, to increase the subadvisory fee paid by Funds Management (not the fund) to Wells Capital Management from 0.20% of average daily total assets per year to 0.40% of average daily total assets per year. It is important to note that this subadvisory fee is paid from Funds Management's own assets and is not paid by the fund, and the aggregate subadvisory fee paid by Funds Management will remain unchanged at 0.40%.

Eagle Growth and Income Opportunities Fund (EGIF) announced pending changes to the fund's current investment advisory and subadvisory arrangements. The fund's board of trustees has approved THL Credit Advisors, LLC (THL Credit), to serve as the investment adviser to the fund, replacing Four Wood Capital Advisors, LLC (FWCA). The board also approved the retention of Eagle Asset Management, Inc. (Eagle), the fund's current subadvisor, under the supervision of THL Credit. The changes were effective August 31, 2019.

The changes to the fund's advisory arrangements are intended to reduce expenses and enhance the fund's original investment strategy, which in part seeks current income over the fund's limited term. Key members of the fund's current portfolio management team will also be retained. The addition of THL Credit will enhance the breadth of capabilities in income-producing securities through THL Credit's expertise in bank loans, high yield bonds, and structured credit investments. THL Credit and Eagle will establish an allocation committee to regularly review the fund's tactical asset allocations among dividend or other income paying equity securities and debt securities.

THL Credit commenced serving as the investment adviser, and Eagle continued serving as subadvisor, to the fund on August 31, 2019, pursuant to interim advisory and subadvisory agreements that were approved by the board. The board is expected to consider approving a new, non-interim advisory agreement between the fund and THL Credit and a new, non-interim subadvisory agreement between THL Credit and Eagle, each of which will be subject to approval by the fund's shareholders later this year.

The changes to the fund's advisory arrangements are expected to lower the fund's overall expense ratio. Under both the interim advisory agreement and the proposed new advisory agreement, the annual fee rate payable by the fund is expected to remain at 0.85% of the average daily value of the fund's managed assets, which had been reduced from 1.05% of the average daily value of the fund's managed assets effective May 24, 2018. Eagle will continue to receive, under both subadvisory agreements, a monthly fee computed at the annual rate of 50% of the advisory fees paid to THL Credit. These fees will be paid by THL Credit to Eagle. In addition, on August 31, 2019, THL Credit began providing investor support services to the fund as part of its advisory relationship and, effective September 14, 2019, the fund will no longer bear the annual fee of 0.05% of the average daily value of the fund's managed assets paid to Four Wood Capital Partners, LLC, for those services. THL Credit also will limit, indefinitely, certain non-management expenses borne by the fund to an amount not to exceed 0.35% per year of the fund's managed assets (pro-rated for the period in 2019 during which THL Credit serves as the fund's investment adviser). THL Credit also has agreed to bear up to \$500,000 of certain expenses in connection with the transfer of the advisory relationship from FWCA to THL Credit.

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