FUND*MARKET* INSIGHT REPORT

THOMSON REUTERS LIPPER RESEARCH SERIES

AUGUST 31, 2017

The Month in Closed-End Funds: August 2017

PERFORMANCE

For the first month in ten equity CEFs on average witnessed a down-side return on a NAV basis and—for the first month in nine—on a market basis (-0.53% and -0.76%, respectively). However, for the second month in a row their fixed income CEF counterparts, gaining 0.74%, were in the black on a NAV basis, and for the fifth consecutive month they posted a plus-side return on a market basis, returning 0.08%. The U.S. broad-based indices finished the month mixed on escalating tensions between the U.S. and North Korea, continued shake-ups in White House staff, terrorist attacks in Spain, and violence in Charlottesville, Virginia. The NASDAQ Composite Price Only Index posted the strongest return (+1.27%), while the Russell 2000 Price Only Index suffered the largest decline (-1.39%) for the month.

Markets started August on a strong note after the Labor Department reported the U.S. had created 209,000 new jobs for July (beating analyst expectations of 175,000), and the unemployment rate still ticked down to 4.3% (touching a 16-year low). However, some soft economic reports led some pundits to doubt the Federal Reserve was on track for more rate hikes in 2017, especially in the absence of inflationary signs. Nonetheless, the blue-chip average recorded its thirty-fourth record close of 2017 during the first week of August as Q2 corporate earnings showed both top- and bottom-line growth.

However, investors were set back on their heels as North Korea threatened to launch missiles at U.S. bases in Guam. Lingering geopolitical concerns and soft economic data (July CPI was a seasonally adjusted 0.1%) led to the biggest one-week drop in the Russell 2000 since February 2016. Oil continued its slide after the International Energy Agency said oil supply had risen for a third consecutive month and as investors searching for safe-haven products bid up the price of near-month gold.

Low trading volumes and continued skittishness then pushed the major indices to a second week of losses as investors digested news of the terrorist attack in Barcelona, Spain; the dissolution of President Donald Trump's business advisory panels; and fallout from violence at a white supremacist rally in Charlottesville, Virginia. The stock markets were able to gain some traction in the week following, as neither the Federal Reserve (at its annual symposium in Jackson Hole, Wyoming) nor the European Central Bank gave any clues on monetary policy. Investors appeared to shrug off a 6.8% decline in July durable goods orders (the largest decline in three years), focusing instead on reports that Trump would begin pushing his tax-reform agenda; they bid up gold to its highest level since June.

While Hurricane Harvey slammed into Texas, devastating Houston and forcing energy facilities to close, the markets finished little changed, but the price of oil futures declined as demand for crude oil waned because of refinery shutdowns. A rise in July personal income and a better-than-expected reading on Chinese manufacturing gave the markets a late shot in the arm, while a rally in biotech shares pushed the NASDAQ into record territory at month-end.

The Month in Closed-End Funds: August 2017

- For the first month in ten equity closed-end funds (CEFs) witnessed a downside return on average, declining 0.53% on a net-asset-value (NAV) basis for August, while for the second consecutive month their fixed income CEF counterparts posted a return in the black, gaining 0.74%.
- For August 22% of all CEFs traded at a premium to their NAV, with 19% of equity CEFs and 24% of fixed income CEFs trading in premium territory. Thomson Reuters Lipper's domestic equity CEFs macro-group witnessed the largest narrowing of discounts for the month—19 basis points (bps) to 4.27%.
- Emerging Markets CEFs (+2.09%) and Emerging Markets Debt CEFs (+1.68%) posted the strongest returns in their respective universes, propping up the world equity CEFs (+0.87%) and world bond CEFs (+1.26%) macro-groups.
- As a result of a slump in oil prices and crude oil output, Energy MLP CEFs was the laggard of the equity universe (-4.86%).
- Adding to their winning ways, all of Lipper's municipal debt CEF classifications posted returns in the black, with New Jersey Municipal Debt CEFs (+1.33%) leading the pack.

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For the month of August Treasury yields declined along all maturities of the curve except the one-year, which witnessed no change for the month. The 20-year yield witnessed the largest decline, falling 19 bps to 2.47% at month-end. While core inflation rose slightly for the month, investors' flight to safety and the Fed's dovish tone pushed yields lower, with the two- and ten-year Treasury yield spread declining to 0.79%—its second lowest reading for 2017.

For August the dollar weakened against the euro (-0.72%) and the yen (-0.33%), but it gained against the pound (+2.33%). Commodities prices were mixed for the month, with near-month gold prices gaining 3.92% to close August at $1,316.20/ounce, and with front-month crude oil prices declining 5.86% to close the month at $47.23/barrel.

For the month 65% of all CEFs posted NAV-based returns in the black, with 47% of equity CEFs and 79% of fixed income CEFs chalking up returns in the plus column. For the second consecutive month Lipper's world equity CEFs macro-group (+0.87%) outpaced its two equity-based brethren: mixed-asset CEFs (-0.39%) and domestic equity CEFs (-1.14%).

As a result of a stronger-than-expected Chinese manufacturing report and a weakening dollar, the Emerging Markets CEFs classification (+2.09%) remained at the top of the equity charts for the second consecutive month. It was followed by Utility CEFs (+0.88%) and Sector Equity CEFs (+0.60%). Developed Markets CEFs (+0.45%) and Pacific ex-Japan CEFs (+0.29%) helped keep the world equity funds macro-group at the top of the charts, while large losses from Energy MLP CEFs (-4.86%), Growth CEFs (-4.17%), and Natural Resources CEFs (-4.08%) weighed on domestic equity CEFs (-1.14%). For the remaining equity classifications returns ranged from minus 0.91% (Real Estate CEFs) to positive 0.52% (Options Arbitrage/Options Strategies CEFs).

Four of the five top-performing individual equity CEFs were housed in Lipper's Emerging Markets CEFs classification. At the top of the charts was **Central and Eastern Europe Fund, Inc. (CEE)**, rising 6.65% on a NAV basis and traded at a 12.10% discount on August 31. CEE was followed by **ASA Gold & Precious Metals Limited (ASA**, housed in the Sector Equity CEFs classification**)**, gaining 5.96% and traded at an 11.74% discount at month-end; **Aberdeen Chile Fund, Inc. (CH)**, rising 5.40% and traded at an 11.00% discount on August 31; **Aberdeen Latin America Equity Fund, Inc. (LAQ)**, gaining 5.05% and traded at a 10.12% discount at month-end; and **Morgan Stanley China A Share Fund, Inc. (CAG)**, posting a 4.95% return and traded at a 15.21% discount on August 31.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 8.90% to

CLOSED-END FUNDS LAB

TABLE 1 CURRENT-MONTH PERFORMANCE, P&D, P&D SHIFTS (% OF UNIVERSE)

	NAV RETURNS	PREMIUM/DISCOUNT		NOW TRADING AT	
	POSITIVE	BETTER	WORSE	PREMIUM	DISCOUNT
Equity Funds	47	36	60	19	80
Bond Funds	79	26	70	24	75
ALL CEFs	**65**	**30**	**66**	**22**	**77**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	AUGUST	YTD	3-MONTH	CALENDAR-2016
Equity Funds	-0.53	9.91	2.49	11.72
Bond Funds	0.74	6.86	1.68	6.66
ALL CEFs	**0.19**	**8.21**	**2.04**	**8.90**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	AUGUST 2017	CALENDAR-2016
ALL CEFs	**28**	**18**

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

3 MONTHS THROUGH 7/31/2017	436
COMPARABLE YEAR-EARLIER 3 MONTHS	505
CALENDAR 2016 AVERAGE	348

Source: Thomson Reuters Lipper

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positive 6.65%—was wider than July's spread and more skewed to the negative side. The 20 top-performing equity CEFs posted returns at or above 2.39%, while the 20 lagging equity CEFs were at or below minus 5.14%.

For the month 135 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 8.90% of its July-closing NAV price and traded at a 7.63% premium on August 31. **Duff & Phelps Select Energy MLP Fund Inc. (DSE**, housed in the Energy MLP CEFs classification**)** posted the next poorest return in the equity universe, declining 7.35%. DSE traded at an 8.33% premium at month-end.

As a result of soft inflation figures, a mid-month flight to safety, and some slightly dovish Fed minutes, the ten-year Treasury yield bounced from 2.26% at July month-end to an intra-month closing high of 2.29% on August 8, then to a closing low of 2.12% on August 31, declining 18 bps for the month. For the ninth month in a row domestic taxable bond CEFs (+0.26%) posted a plus-side return on average. They were bettered by world income CEFs (+1.26%), which benefitted from strong performance from Emerging Markets Debt CEFs (+1.68%) and Global Income CEFs (+1.05%). Adding to their winning streak, for the second month in a row municipal bond CEFs (+1.08%) posted a return in the black on average.

Investors continued their search for yield, bidding up emerging-markets debt issues, while turning a cold shoulder to floating rate CEFs. At the top of the domestic taxable bond CEFs universe were U.S. Mortgage CEFs (+1.08%), Corporate Debt BBB-Rated CEFs (Leveraged) (+0.84%), and General Bond CEFs (+0.68%). Loan Participation CEFs (-0.25%) witnessed the only negative return in the fixed income universe.

Remaining on their upward trajectory, for the second month in a row all the municipal debt CEF classifications posted plus-side returns for August. New Jersey Municipal Debt CEFs (+1.33%) and General & Insured Municipal Debt CEFs (Leveraged) (+1.21%) outpaced the other classifications in the group, while New York Municipal Debt CEFs (+0.85%) was the group's relative laggard. National municipal debt CEFs (+1.17%) outshone their single-state municipal debt CEF counterparts (+0.99%) by 18 bps.

At the top of the fixed income universe chart was **Barings Global Short Duration High Yield Fund (BGH**, housed in the High Yield [Leveraged] CEFs classification**)**, returning 4.80% and traded at a 4.03% discount on August 31. Following BGH were **Western Asset Mortgage Defined Opportunity Fund Inc. (DMO**, warehoused in the U.S. Mortgage CEFs classification**)**, returning 3.88% and traded at an 18.56% premium at month-end; **Stone Harbor Emerging Markets Income Fund (EDF**, housed in the Emerging Market Debt CEFs classification**)**, posting a 3.06% return and traded at an 11.05% premium on August 31; **PCM Fund, Inc. (PCM**, warehoused in the General Bond CEFs classification**)**, tacking 2.97% onto its July month-end value and traded at an 11.96% premium on August 31; and **Stone Harbor Emerging Markets Total Income Fund (EDI**, also housed in the Emerging Market Debt CEFs classification**)**, returning 2.78% and traded at a 0.32% premium at month-end.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 2.02% for **Western Asset Middle Market Debt Fund Inc. (XWAMX**, an interval hybrid fund housed in Lipper's High Yield CEFs [Leveraged] classification**)** to 2.64% for **Nuveen Build America Bond Opportunity Fund (NBD**, housed in Lipper's General Bond CEFs classification and traded at a 3.13% discount at month-end**)**. The 20 top-performing fixed income CEFs posted returns at or above 1.86%, while the 20 lagging CEFs were at or below minus 0.34%. A total of 69 fixed income CEFs witnessed negative NAV-based performance for August.

PREMIUM AND DISCOUNT BEHAVIOR

For August the median discount of all CEFs widened 50 bps to 4.96%—still better than the 12-month moving average discount (5.98%). Equity CEFs' median discount widened 23 bps to 5.84%, while fixed income CEFs' median discount widened 62 bps to 4.17%. National municipal debt CEFs' median discount witnessed the largest widening in the CEFs universe, 84 bps to 2.52%, while the domestic equity CEFs macro-group witnessed the largest narrowing of discounts—19 bps to 4.27%.

For the month 30% of all funds' discounts or premiums improved, while 66% worsened. In particular, 36% of equity funds and 26% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on August 31 (114) was 18 less than the number on July 31.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

There were no CEF IPOs in August.

AllianzGI Convertible & Income 2024 Target Term Fund (CBH) announced that the underwriters of its IPO of common shares completed on June 30, 2017, partially exercised their over-allotment option to purchase an additional 1,746,796 common shares of the fund. (The closing of the exercise of the overallotment option occurred Friday, August 4, 2017.) The gross proceeds of $17,467,960 from the partial exercise of the over-allotment option brought the total amount raised in the fund's IPO to $182,467,960 (before deduction of the sales load and offering expenses).

RIGHTS, REPURCHASES, TENDER OFFERS

MFS Investment Grade Municipal Trust (CXH) commenced a cash tender offer for the fund's common shares. The fund offered to purchase up to 15% of the fund's outstanding common shares at a price per share equal to 98% of the fund's NAV per share calculated as of the close of regular trading on the New York Stock Exchange (NYSE) on the date the offer expires, September 6, 2017, unless extended. The pricing date was also September 6, 2017, unless the tender offer was extended. If the number of shares tendered exceeded the maximum amount of the offer, the fund would purchase shares from tendering shareholders on a *pro-rata* basis.

First Trust Strategic High Income Fund II (FHY) commenced a tender offer. As previously announced, the fund would purchase up to 15% of its outstanding common shares for cash at a price per share equal to 98% of the NAV per share as determined as of the close of the regular trading session of the NYSE on September 29, 2017, or if the offer was extended, as determined as of the close of the regular trading session of the NYSE on the next trading day after the day to which the offer was extended. The tender offer will expire on September 28, 2017, or on such later date to which the offer is extended.

The board of trustees of **Reaves Utility Income Fund (UTG)** authorized and set the terms of an offering to the fund's shareholders of rights to purchase additional common shares of the fund. The fund was issuing transferable subscription rights to its common shareholders of record as of August 30, 2017, and such shareholders who will be allowed to subscribe for new common shares of the fund. Record-date shareholders would receive one right for each common share held on the record date. For every three rights held a holder of rights could buy one new common share of the fund. Record-date shareholders who exercise their rights would not be entitled to dividends payable during September 2017 on shares issued in connection with the rights offering. Record-date shareholders who fully exercised all rights initially issued to them in the primary subscription would be entitled to buy those common shares that were not purchased by other record-date shareholders. In addition, the fund in its sole discretion could elect to issue additional common shares in an amount of up to 25% of the common shares issued in the primary subscription.

The subscription price per common share would be determined based upon a formula equal to 95% of the reported NAV or market price per common share, whichever was lower on the expiration date. Market price per common share would be determined 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.

The rights offering was subject to the effectiveness of the fund's registration statement currently on file with the Securities and Exchange Commission (SEC) and would be made only by means of a prospectus. The fund anticipated the offering would expire on or about October 4, 2017.

RiverNorth Opportunities Fund, Inc. (RIV) announced that it filed a preliminary registration statement with the SEC relating to the offering of additional common shares of the fund pursuant to a rights offering. The fund was issuing transferable subscription rights to its common shareholders on a record date to be set by the fund's board of directors and such shareholders who would be allowed to subscribe for new common shares of the fund. Record-date shareholders would receive one right for each common share held on the record date. For every three rights held a holder of rights could buy one new common share of the fund. Record-date shareholders who exercise their rights would not be entitled to dividends payable during October 2017 on shares issued in connection with the rights offering. The rights were expected to be listed and tradable on the NYSE under the ticker RIV RT.

Record-date shareholders who fully exercised all rights initially issued to them in the primary subscription would be entitled to buy those common shares not purchased by other record-date shareholders. In addition, the fund in its sole discretion could elect to issue additional common shares in an amount of up to 25% of the common shares issued in the primary subscription.

Cornerstone Strategic Value Fund, Inc. (CLM) announced completion of its one-for-three rights offering that expired on Friday, August 25, 2017. The offering was over-subscribed. Under the terms of the offering record-date shareholders were entitled to purchase one newly issued common share of the fund for every three rights held. The subscription price for each newly issued share was determined to be $13.86, which under the terms of the prospectus was equal to

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the greater of (i) 107% of NAV per share as calculated at the close of trading on the date of expiration of the offering or (ii) 90% of the market price per share at such time. Based on preliminary results provided by the fund's subscription agent, the fund received requests for approximately $202 million of its shares.

The subscription price was lower than the original estimated subscription price of $14.11. Under the prospectus any excess payment received from a shareholder would, unless otherwise indicated on the subscription certificate received from such shareholder, be applied toward the purchase of unsubscribed shares. It was anticipated that shares would be issued on or about Friday, September 1, 2017. Shareholders were encouraged to contact their broker regarding the specifics of their account. Newly issued shares would not be entitled to the fund's distribution to shareholders for the month of August.

Cornerstone Total Return Fund, Inc. (CRF) announced completion of its one-for-three rights offering that expired on Friday, August 25, 2017. The offering was over-subscribed. Under the terms of the offering record-date shareholders were entitled to purchase one newly issued common share of the fund for every three rights held. The subscription price for each newly issued share was determined to be $13.41, which under the terms of the prospectus was equal to the greater of (i) 107% of NAV per share as calculated at the close of trading on the date of expiration of the offering or (ii) 90% of the market price per share at such time. Based on preliminary results provided by the fund's subscription agent, the fund received requests for approximately $181 million of its shares.

The subscription price was lower than the original estimated subscription price of $13.66. Under the prospectus any excess payment received from a shareholder would, unless otherwise indicated on the subscription certificate received from such shareholder, be applied toward the purchase of unsubscribed shares. It was anticipated that shares would be issued on or about Friday, September 1, 2017. Shareholders were encouraged to contact their broker regarding the specifics of their account. Newly issued shares would not be entitled to the fund's distribution to shareholders for the month of August.

The Taiwan Fund, Inc. (TWN) announced that on July 31, 2017, and on August 14, 2017, the fund repurchased 2,481 and 1,877 shares, respectively, under the fund's discount management policy.

The board for all of Nuveen's CEFs except **Diversified Real Asset Income Fund (DRA)** reauthorized the open-market share repurchase program for each fund. Effective immediately, those Nuveen CEFs could repurchase an aggregate of up to approximately 10% of each fund's outstanding common shares in open-market transactions at fund management's discretion. DRA, which is governed by a different board, also participated in the share repurchase program.

Advent Claymore Convertible Securities and Income Fund (AVK) and **Advent Claymore Convertible Securities and Income Fund II (AGC)** announced that each fund's tender offer to purchase for cash up to 15% of such fund's outstanding common shares at a price per share equal to 98% of such fund's NAV per share as of the business day immediately following the expiration of the tender offer commenced on Wednesday, August 9, 2017, and was to expire unless otherwise extended on Thursday, September 7, 2017.

Western Asset Middle Market Income Fund Inc. (XWMFX) announced that the fund's board of directors approved a tender offer to purchase for cash up to 2.5% of the fund's outstanding common shares. The tender offer would be conducted at a price equal to the fund's NAV per share on the day on which the tender offer expires. The fund intended to commence its tender offer on or about September 5, 2017, with the expiration of the tender offer expected to be October 4, 2017.

RMR Real Estate Income Fund (NYSE American: RIF) announced that the board of trustees of the fund approved the terms of the issuance of transferable rights to the holders of the fund's common shares of beneficial interest as of the record date, entitling the holders of those rights to subscribe for common shares. All the costs of the offer, including offering expenses and sales load, would be borne by RMR Advisors LLC, the fund's investment adviser, and not by the fund and its shareholders. The record date for the offer was August 21, 2017. The fund would distribute to common shareholders on the record date one right for each common share held on the record date. Common shareholders would be entitled to purchase one new common share for every three rights held (one for three); however, any shareholder issued fewer than three rights would be entitled to subscribe for one common share. Fractional common shares would not be issued. The proposed subscription period commenced on the record date and was scheduled to expire on September 19, 2017, and the common shares were to be purchased on the same day unless extended by the fund. Rights could be exercised at any time during the subscription period. The rights were transferable and were expected to be admitted for trading on the NYSE under the symbol RIF RT during the course of the offer.

MERGERS AND REORGANIZATIONS

The Turkish Investment Fund, Inc. (TKF) announced that its board of directors approved liquidation and dissolution of the fund, subject to shareholder approval at the meeting of shareholders to be held on November 16, 2017. The record date for the meeting was September 21, 2017.

Madison Strategic Sector Premium Fund (MSP) and **Madison Covered Call & Equity Strategy Fund (MCN)** announced that the joint special meeting of the shareholders of MSP and MCN originally scheduled to be held on August 18, 2017, to consider the proposed reorganization of MSP into MCN was postponed to September 15, 2017. The boards took this action in part because at the time it was not expected that MCN would be able to achieve a quorum by the meeting date. Further, the MSP board noted that over 2.4 million shares or 41% of the fund remained unvoted, and the board felt it was important to obtain greater feedback on the reorganization from its long-term retail shareholder base that would benefit from the reorganization. The boards noted that the reorganization requires approval of both sets of shareholders, and they continue to believe the reorganization is in the best interest of MCN and MSP shareholders.

OTHER

Avenue Income Credit Strategies Fund (ACP) announced that its board of trustees approved a new investment advisory agreement with Aberdeen Asset Managers Limited (AAML) as well as a subadvisory agreement and an administration agreement with Aberdeen Asset Management Inc. (AAMI), subject to approval by the fund's shareholders of the advisory and subadvisory agreements. If the fund's shareholders approve the new advisory and subadvisory agreements, AAML and AAMI will become the investment advisor and subadvisor, respectively, of the fund and will assume responsibility for the design and implementation of the fund's investment program; AAMI will become the administrator. The advisory appointments and related changes will not be effective unless the advisory and subadvisory agreements are approved by fund shareholders. Shareholders will be asked to consider the new advisory and subadvisory agreements at a special shareholder meeting expected to take place in fall 2017, and if approved by shareholders, the transition is planned to be completed shortly thereafter.

Avenue Capital Management II, L.P. (Avenue) serves as the fund's investment adviser. Pending the transition in fall 2017, the fund will continue to be managed by Avenue as it is currently managed and administered by its current administrator.