Closed-End Fund *Review*

THIRD QUARTER 2017

Third Quarter 2017 Overview

The third quarter was another positive one for diversified closed-end fund (CEF) investors. The average CEF was up 2.28% during the quarter and is now up 11.24% year-to-date (YTD). Broadly speaking, CEFs continue to benefit from rising equity prices (both domestic and international), solid credit conditions (i.e., low default environment) and a steady long-term interest rate environment. Similar to prior quarters this year, it was another broad-based rally for the third quarter. Indeed, fixed-income CEFs were up on average 1.88% during the quarter and are now positive by 9.45% YTD. Equity CEFs were positive--on average 2.71% for the quarter and are now up 14.30% YTD. (Source: Morningstar. All data is share price total return.)

My three favored categories, as outlined in the CEF commentary piece from January, http://www.ftportfolios.com/Commentary/Insights/2017/1/27/fourth-quarter-2016 also continue to provide CEF investors with very solid total returns. U.S. Equity CEFs were up 3.86% for the quarter and are now up on average 13.77% YTD. Senior Loan CEFs had a slight positive total return of 0.45% during the quarter and are up on average 5.30% YTD. Global Equity CEFs were up 5.77% during the quarter and are now up on average 24.01% YTD. (Morningstar)

While 2017 has been a very rewarding year so far for CEF investors and follows a year when the average fund was up a solid 8.59% (Morningstar), it has led to a meaningful narrowing of average discounts to net asset value (NAV). Indeed, according to Morningstar, as of the end of the third quarter the average discount to NAV was only 3.53%. We began the year with an average discount to NAV of 6.34% (Morningstar). As average discounts to NAV continue to narrow, it signals to me two very important items:

1. CEF investors need to pick their spots even more carefully and focus on funds and categories where they find the underlying asset class is attractive from a valuation as well as a fundamental basis. For me, that continues to mean overweighting U.S. Equity, Global Equity, Senior Loan and Limited-Duration CEFs.
2. Expect even more of the potential total return a diversified portfolio of CEFs provides to come from the distributions as there is less opportunity for discount narrowing to boost total returns.

Game Plan for Rest of 2017 and Looking Ahead to 2018

As the fourth quarter of 2017 commences and as CEF investors begin thinking about 2018, I am making no changes to my belief that the core of a diversified CEF investor's portfolio should consist of U.S. Equity, Global Equity, Senior Loan and Limited-Duration CEFs. On the municipal front, non-levered Municipal CEFs or Term Trust Municipal CEFs, both of which tend to have less duration risk than a traditional perpetual, levered Municipal CEF may be preferred.

Why am I making no changes to my favored categories and strategy for CEF investing for the remainder of 2017 and heading into 2018? It's simple: because our "macro-outlook" as outlined by our Economics Team continues to forecast higher U.S. equity prices (our strategist also finds value in Europe), slowly rising short and long-term interest rates and continued economic growth in the U.S. economy. Using that forecast as my

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backdrop, I continue to believe a diversified portfolio of U.S. Equity, Global Equity, Senior Loan and Limited-Duration CEFs is best positioned to provide investors with attractive total returns as has been the case the past two years. Furthermore, valuations among these 4 categories remain attractive as the average discount for U.S. Equity CEFs was 8.59%, Global Equity CEFs was 7.21%, Senior Loan CEFs was 3.14% and Limited-Duration CEFs was 6.41% as of 10/1/17 (Morningstar).

Finally, during this time of year, I always get inquiries related to what my views are relating to tax-loss selling season in CEFs, which is usually at its peak in late November and December. Given the fact the average CEF is up 11.24% YTD and that the gains were broad and included most categories of the CEF marketplace, I am not expecting a particularly rough season of tax-loss selling during this year's fourth quarter.