

## Closed-End Fund

*Closed-end funds had a market-price return of 4.5% in the third quarter as measured by the S-Network All Taxable ex-Foreign plus Capped Muni CEF Index.<sup>1</sup> Year to date, the benchmark had a total return of -9.1% based on market price. By comparison, the S&P 500 Index<sup>2</sup> and the Barclays Capital U.S. Aggregate Bond Index<sup>3</sup> had total returns of 8.9% and 0.6% for the quarter, and 5.6% and 6.8% for the year to date, respectively.*

### Investment Review

**Closed-end funds advanced in the third quarter as financial markets continued to rally off of March lows.** Some late-quarter weakness aside, the period was positive for financial assets amid optimism regarding COVID containment and the prospect for wider business reopenings, additional fiscal stimulus and a broader economic recovery. Risk appetite was further fueled by continued central bank policy accommodation, including the U.S. Federal Reserve's policy shift, which could lead to interest rates remaining "lower for longer."

**The quarter saw a general widening in discounts to NAV, notwithstanding a risk-tolerant environment.** Discounts on both equity and taxable fixed income closed-end funds modestly widened in the period, to 7.2% and 5.1%, respectively, as investors seemed hesitant to let market prices catch up with NAVs. We believe this underscores the types of short-term inefficiencies that can exist in the closed-end fund market, which does not have arbitrage mechanisms to quickly close valuation gaps.

**The equity category broadly rallied, with the notable exception of MLP funds.** Equity sectors mostly had gains in the mid/high single digits. However, master limited partnership (MLP) funds (-16.5% return on market price) tumbled amid an uncertain outlook for commodity prices and as the underlying sector contended with the shift from a growth to a maintenance industry.

**Convertible bond funds (7.8%) were top performers within taxable fixed income due to their equity sensitivity.** Bank loan funds (7.7%) were also solid, as optimism about the effect monetary easing would have on credit-sensitive securities outweighed the prospect of limited earnings potential for the group in a prolonged low-rate environment. Multi-sector funds (7.3%), which take a flexible approach to investing in fixed income segments, outperformed as well.

**Successful closed-end fund new issuance underscored investors' embrace of market positives.** Following the launch of a \$750 million municipal bond closed-end fund in August, the latest closed-end fund was successfully brought to market in September: a \$2.3 billion fund that invests in both stocks

and credit securities. We believe these offerings are fresh evidence regarding investor comfort and interest in the higher-income-producing closed-end fund structures.

### Investment Outlook

**Despite continuing uncertainties surrounding the full scope of the economic impact of the coronavirus pandemic, we expect economic growth to continue in most developed countries going forward.** The backdrop of continued global central bank accommodation and fiscal deficit spending should be supportive of improved CEF valuations for the foreseeable future.

**We believe the successful launch of two large closed-end funds in the period is evidence of investor comfort and interest in the higher-income-producing closed-end fund structures.** The path of the coronavirus's evolution, especially coming into fall in the northern hemisphere, and the forthcoming U.S. presidential election will be key factors shaping asset class performance in the balance of the year. We will continue to seek opportunities created by any market volatility in reaction to developments on these and other macro fronts.

(1) Returns are based on market price. Prior to 7/31/19, the benchmark was the Morningstar US All Taxable Ex-Foreign Equity Index. Thereafter, it is the S-Network All Taxable ex-Foreign plus Capped Muni CEF Index. The S-Network All Taxable ex-Foreign plus Capped Muni CEF Index is a market capitalization-weighted index comprising all taxable closed-end funds and Diversified Municipal Bond Funds, except for single-country funds and region-specific equity funds. The Morningstar US All Taxable Ex-Foreign Equity Index measures the market-capitalization-weighted total return of taxable equity and fixed income closed-end funds; it excludes international, regional and country closed-end funds. Index returns update frequently and are subject to change. All closed-end fund sector returns are based on Cohen & Steers calculations and classifications of the current U.S. listed closed end fund universe.

(2) The S&P 500 Index is an unmanaged index of 500 large capitalization, publicly traded stocks that is frequently used as a general measure of stock market performance.

(3) The Barclays Capital U.S. Aggregate Bond Index includes U.S. government, corporate and mortgage-backed securities with maturities of at least one year. Benchmark returns are shown for comparative purposes only and may not necessarily be representative of the Fund's portfolio.

## Closed-End Fund

## Closed End Sector Returns

	Q3 2020		YTD 2020	
	Market	NAV	Market	NAV
Single Commodity	10.24%	12.09%	24.54%	24.62%
Diversified Commodity	0.90%	1.46%	-8.91%	-3.27%
Option Income	5.31%	7.62%	-1.24%	5.81%
US General Equity	6.39%	7.49%	-7.17%	-3.37%
US Hybrid	7.76%	8.43%	-0.80%	2.00%
Global Equity	5.78%	6.71%	-7.61%	-4.13%
Global Hybrid	7.55%	8.60%	-8.98%	-0.89%
Sector Equity	7.31%	6.70%	9.35%	14.86%
MLP	-16.45%	-11.58%	-66.03%	-58.22%
Real Estate	3.31%	4.42%	-19.21%	-13.33%
Utilities	0.07%	2.95%	-12.97%	-13.58%
Convertibles	7.82%	13.09%	1.77%	14.36%
EM Bond	0.30%	1.77%	-13.64%	-6.23%
Global Income	3.19%	2.87%	-4.89%	-1.82%
US Government	3.64%	4.73%	1.24%	3.81%
High Yield	5.37%	5.69%	-6.98%	-2.97%
Bank Loan	7.67%	5.38%	-12.49%	-5.60%
Multi-Sector	7.28%	6.42%	-5.83%	-2.21%
Short Duration	3.65%	4.62%	-7.30%	-2.39%
Investment Grade	3.75%	5.36%	-5.72%	-1.57%
Preferreds	4.56%	7.41%	-7.22%	-5.56%
US Sector Bond	0.99%	4.56%	-9.24%	-5.13%
Taxable Municipal	5.00%	3.25%	8.46%	6.57%
Regional EME	11.25%	10.36%	3.00%	6.56%
Diversified EME	9.76%	8.80%	-8.58%	-6.31%
Regional DME	8.16%	8.09%	-2.80%	0.26%
National Municipal	3.92%	2.14%	0.67%	2.31%
CA State Municipal	3.97%	1.64%	0.96%	3.11%
NY State Municipal	2.00%	1.12%	-1.49%	1.25%
State Municipal-Other	3.37%	1.95%	0.01%	2.48%
Municipal High	3.41%	2.44%	-5.05%	-1.70%

Source: Cohen & Steers.

**Data quoted represents past performance, which is no guarantee of future results.**

All closed-end fund sector returns are based on Cohen & Steers calculations and classifications of the current U.S. listed closed-end fund universe. This information is not representative of any Cohen and Steers account. Sector performance does not reflect the deduction of any fees, expenses or taxes.

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