



CEF Advisors 3Q 2026 CEF, BDC & Interval Fund Update Review & Outlook

Quarterly Webinar Edited Transcript

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Section 1: Welcome: What Is CEF Advisors? What Is AICA?

[0:03]

Good afternoon. John Cole Scott, Closed-End Fund Advisors. Thank you for attending our third quarter 2026 CEF, BDC & Interval Fund Review and Outlook. I'm going to keep an eye on the questions, so please ask questions during the session. If it makes sense to me, I'll bring up a question at the time I see it. If not, I'll answer it at the end, along with the roughly 13 pre-submitted questions I prepared — I definitely want to make sure I cover those in case they're not covered organically through the natural flow of the slide deck.

This is our 60th time doing this. It's hard to think of life before this quarterly session. If you're up for a history lesson, we archive every session going back to that first one in January 2012, and you can see how much our data depth and breadth has expanded over the years as you check in on those quarterly slide decks. This is always a very full session. I'm working very hard to keep my commentary to about 60 of the data slides; some slides we keep in the deck for the archive but may not cover much live.

With that, again, we will record this. The replay should be available by the end of the day Friday and emailed to you. The transcript will be published once it's reviewed by compliance, as well as an article covering this session — probably published by Monday, is my guess. It's been a very fascinating year and quarter, and I do appreciate all of the questions we received.

I always like to cover this: we are just under half individual investors versus professionals — board members, press, investment advisors, fund sponsors — and we are 42% first-time attendees. It's also really interesting to see the topics you wanted to talk about most: 80% of your questions focused on rates and the macro outlook; BDCs and private credit; discounts and premiums; distributions, return of capital, and NAV erosion; and munis. So I guarantee you we'll be covering those five areas deeply and thoroughly, and with facts. Let's get the slides moving.

This agenda is a great way to understand the large number of slides. They're in rough order, and I'd love for this to be useful to you as you review the slide deck later.

Because almost half of the registrations were new, we always like to make sure you understand who you're hearing from if you don't know us very well. CEF Advisors is an investment management firm with a little over 37 years of history. We focus on closed-end fund, BDC, and interval fund investing, and we have research and data work we've been doing for a long time. We do some advocacy work through our partnership with the Active Investment Company Alliance [AICA], and I'm also involved with the IPA [Institute for Portfolio Alternatives], which is a 501(c)(6) trade association. It actually does lobby, works

with Congress and regulators, and we support them with some of our data efforts. We really try to balance fundamental data, historical outcomes for closed-end funds, and all the questions we get internally or from clients, prospects, peers, and partners. We've also, for about 12 years, managed a BDC fund that has raised about \$575 million.

CEF Data [CEFDData.com] has been our primary website for a little over a year, and hopefully you see it continuing to grow. We have 855 funds in the database. It's in process, but hopefully by the end of October, I'm told, we'll have interval fund, non-traded BDC, and tender offer fund profile pages like the ones we have for listed closed-end funds and BDCs. We'll also be building out a screening tool to make it easier to organize and digest this large number of funds. Under the Resources tab, you'll find the growth of the BDC universe, the interval fund universe, and the non-traded universe, and we're working to add better coverage of our growing ETF file and our London closed-end fund file.

A lot of the tools we sell right now are daily, weekly, and monthly spreadsheets and dashboards. We are working on other ways to address your needs. If you're a retail investor who has reached out to us and you haven't heard as much from us recently, there's a lot to build to offer you something different, or lighter, than what we currently offer in our broad spreadsheet solutions.

If you haven't seen our daily news alerts, they're the backbone of our data business. We've been providing them to subscribers for over a decade. It's a great way to track everything going on, and it's how we bring in what we're seeing across the market — the investments, what the regulators are discussing, what we hear from the independent board members we communicate with at conferences or in person — and then produce some work for board materials when possible.

You should also know about AICA. It has some good advertising spots on cefddata.com, and if nothing else, definitely check out the NAVigator podcast — we're almost at 400 episodes since the fall of 2019.

Section 2: What Is a CEF? What Is a BDC?

[5:30]

This slide is going to be hard for you to see, but it's also a PDF file on the Investor Resources page. It was our best attempt to explain to investors how these different fund structures have similarities and differences, at a level of granularity we weren't really finding in the market for advisors. I hope it's useful to you.

For the newer people: closed-end funds are traded publicly on an exchange, and buyers and sellers are not connected operationally to the fund sponsor. Basically, buyers and sellers meet at a market price, so the share count is relatively stable on most days. That's the "closed-endedness" of a listed closed-end fund. Because of that, the net asset value versus the trading price that buyers and sellers pay is where you get the ability to track a discount or premium. Most closed-end funds give us a daily net asset value, so it's a much easier measurement to analyze granularly, and most of the holdings are priced in the market at some level daily. That's a great benefit when analyzing that relationship.

Obviously not every asset class benefits equally, but there are a lot of unique ones where active management, prudent leverage, and illiquid holdings really add value with that stable capital base — without what we would call the watered-down effect of capital coming into an open-end fund or ETF and diluting what's being done if you can't easily replace the holdings. That's more focused on Level 2 and Level 3 assets: private credit, private real estate, private equity, venture capital, and the like.

Most U.S. closed-end funds offer monthly or quarterly income, even when it makes relatively little sense. It's been a great discount management tool and is kind of an expectation of the ownership base in the U.S. market. Demand for closed-end funds is driven by distribution levels and also by NAV performance, sector excitement, or fear and greed. Sometimes certain fund sponsors trade differently than their peers — I will cover in some depth the PIMCO premiums and our thinking behind them, which has even evolved since the podcast where we covered it a little over a month ago.

Leverage is not perfect; it enhances returns. The steeper the yield curve, the more beneficial it is to future investors in these structures. We find that the volatility of NAV is impacted by leverage, but the volatility of investor sentiment — greed and fear — really drives market price changes. Looking at these pricing levels creates statistical over- and under-levels, from the universe of funds to sectors to individual funds and the holdings of your portfolio, and I think understanding that will be useful.

We're not fully done — a few more slides couldn't get finished because we have so many slides. If you know this deck, you know we continue to try to improve the visibility and usefulness of these slides. If you're a regular attendee and you see a couple of things you think would make them easier to digest, we're open to feedback from everyone.

BDCs, again, are closed-ended management companies, but a little different. The structure has existed since 1980. Growth mostly happened over the last 15 years — and over the last five years, heavily on the non-listed, private side — but it has really given retail investors, through non-traded and listed BDCs, access to private credit or private equity, though mostly private credit in those structures today. BDCs can have higher leverage.

[9:10]

They can also have a higher fee structure versus U.S. traditional funds. With most of the funds being debt- or loan-focused, quarterly dividends are common, and occasionally monthly. I would never sift the BDCs in my portfolio by whether they pay quarterly or monthly — there's far more important data to digest, which we'll cover in the slides and in the questions you've asked.

The same permanent capital structure of closed-end funds is the base for a BDC, whether it's a listed BDC with a relatively stable, fixed share count, or a non-traded BDC, which generally has monthly inflows and quarterly liquidity through the tender offer structure in most cases. Unlike an interval fund — if you dig into that slide earlier — tender offer funds aren't required to maintain a stated level of liquidity. In an interval fund, if the prospectus says it'll give you 5% a quarter, they have to give you 5% a quarter, and they can technically give you up to 7% if the board approves. All of these are under the 1940 Act. Everything we cover at CEF Data is, except the London funds, which of course are outside the '40 Act because they're not U.S. investments.

Leverage can be higher in BDCs, and they're a large part of our universe. This slide is a quick-and-dirty view of how they collect income from their portfolio companies, and of course they have the cost of leverage. Leverage grows the gross dollar amount invested, primarily in senior loans, and then they pass those dividends back through to shareholders. Historically, BDCs generally have higher yields — especially in terms of NII, or earned yield on a credit basis — than any other closed-end fund sector. In most cases, the only thing that comes close would be the CLO sector, which we'll comment on, but it's definitely another more complex and often misunderstood sector. At one end of the spectrum, in the ETF space, there are AAA-tranche CLOs; then there are people looking at CLO equity versus CLO debt across either interval or closed-end fund structures.

Section 3: Base Case Forecast: Macro, Rates & Markets (4Q & 2027 Outlook)

[11:15]

We started this slide a couple of quarters ago; maybe it helps you see where we think markets are. We've written some pieces lately through the Press page of CEF Data — please follow that page if you want to see what we're publishing and involved with.

We do think GDP is still looking sturdy from all the inputs we can analyze and the strategists we connect with. Some of the numbers are looking higher than 2%, but as all of the data is weighed and normalized, we're seeing base-case core GDP running right around

2%, maybe a touch below, because I do think there have been some headwinds to GDP that have been tough over the last 12 months.

Unemployment, we think, is going to tick a little higher, but we've been calling for higher unemployment than the data has suggested. There are a lot of moving parts there. I would definitely say research the U-6 unemployment data point versus the regular one, because if you stop looking for work, you're pulled out of the regular unemployment rate. We're using the regular one here for the forecast. Honestly, in most cases, between 4% and 5% has historically been considered fine and not an issue. If you start getting above 5%, that could be an issue for the actual U.S. economy.

We did have that Fed rate move, and if you look at last quarter's slides — which you're welcome to; we publish them for all time — we've actually switched our view this quarter. We now think it's more likely the Fed hikes again than cuts, based on the data we're seeing, with a steeper yield curve. That matters across the levered closed-end funds — primarily munis, taxable bond funds, BDCs, and the levered income-focused equity funds, which are roughly a third to 40% of the universe. Leverage really drives a big piece of what they're doing.

Inflation, I still think, is up to 3% right now, or 3.5% — it depends on how you look at it, headline versus core — and we think it's going to stay at about that level.

[13:05]

We're not seeing huge increases in inflation right now, but we also recognize we never know everything. We build portfolios for both increases and decreases in rates, and increases and decreases in inflation, because they're factors we can model and rate as a likelihood but never know for certain until the data has been digested and produced.

This is not a timing mechanism, according to everyone I've discussed it with, but it's useful to share that the CAPE ratio sits just under 42. The high was in 1999 — I want to say about 44. We've done some research, and we had an article we published on LinkedIn about the S&P 500 looking forward 10 years versus the 20-year Treasury versus our 15 Sector Index, trying to understand how rates and inflation will impact those three large core buckets — and we're closed-end fund-centric, so that's why it's in the mix. Both J.P. Morgan and Goldman Sachs have 10-year forward returns in the sixes, the mid-sixes. On the Treasury, the highest I saw on Monday when I ran this data was 5.64% for the 20-year Treasury, which has a lot of duration — about 12.5 years. Definitely be careful there, but you can lock that in to maturity at that level. Again, I don't know if it's going to go higher, but it's a pretty high level versus recent history.

What would make the article's base case wrong is if the P/E ratio can stay between 18.5 and 19.5 and earnings can keep growing more than 5-7% — more like 9-10% or 12-13% — back to back to back, without a recession. Then that base case is going to be incorrect. But that is our base case.

We were wrong last quarter. We thought discounts would narrow in the third quarter and might widen a little bit in the fourth quarter. With the levels we see now for many funds, we still think there could be an end-of-November, early-December bottom in discount widening based on tax-loss pressure, given the historical timing of that pressure. We do think that toward the end of the year and into 2027, we'll see a 3% to 4% bounce from where discounts are today, based on history and where we're baking in interest rates, inflation, and other factors.

There are no real traditional IPOs yet. There are some coming — there are some of these newer private equity and venture capital funds coming out — but they're more conversions and direct listings; they're not syndicated IPOs. We do think the market could come back with a target term trust, but expect more direct listings, and funds like the Robinhood funds and Pershing Square, and these new AI and private equity funds that are adding to the cohorts of closed-end funds we track at CEF Data.

We think, at its core, AI is less risky than the way the markets are treating it for public and private companies in total, but we do understand there are going to be some winners and losers. It will take time to digest that, in our experience.

Again, it's only one measurement, and we'll cover it in some depth later, but we're only finding 2.3% of distributions in our 15 Sector Index to be destructive return of capital — return of capital that is not being fueled by NAV performance — so almost 98% is not. It's not a perfect data point, but it helps you understand where income quality is for a broad-based universe of funds.

For the 15 Sector Index — which you can see at cefddata.com/index; it's the first index on that list — we think the distribution dollars will be stable near term, because leverage costs are balancing out and we've had a pickup in yields on the bond side. We think the current index yield of 11% will move back toward 10%, which is a more normal number in recent years. That's basically a combination of NAV and discount recovery — the two sides of the closed-end fund equation.

As for fourth-quarter tax-loss selling, as I mentioned, we think it's going to hit

[17:08]

most funds, because of the price action we've seen this year, especially after dividends. We think general U.S. equity funds and covered call funds will be less impacted, but we like to

buy this dislocation, and we think you should step up and rotate — both to harvest losses and to reposition for potentially higher balances later.

Section 4: Base Case Forecast: BDCs, Munis & Sector Positioning

[17:30]

Looking at our database as of this morning, the dividends in our BDC equal-weight index are down about 10% on a one-year basis — a little better than we had forecast a year ago. They're pretty stable for the bulk of funds, and we'd even see NAVs go up if rates were to rise. We think there's a chance of some more rising of rates — hopefully not too much, but some — and NII will grow going forward.

BDCs are more complex, so to make it simple, we look at them by thirds. Looking at the data today, the one-year total return for the top third is averaging 7%. Again, not great, but not terrible — and that cohort averages an 11% ROE. The middle third is at a negative 2% total return with about a 5% ROE. And then the bottom third — and this is where you've got to be very careful discount-shopping in BDCs, because sometimes the deep discounts reflect governance, quality, or the market's opinion on future dividends and future NAV. The bottom cohort is at a negative 15% total return — and that's even with dividends of over 10%, so roughly a negative 25% price return — with only an average 1% return on equity. There's also a growing list of institutional investors in this space — ones we meet, who buy our data, and whom we talk with at conferences — who are being more thoughtful and more in communication with these funds.

We're watching the third quarter into earnings; we have none of the September 30 data in yet, but you'll see the earnings schedule slide later. Return on equity is not a perfect data point — there is no perfect data point — but we find it's very important for understanding how BDCs are actually earning money over time. At a high level it generally trends with NAV total return, but in certain quarters or short periods it can dislocate from NAV, and it's generally a better way to look at it. It's just like how we usually prefer adjusted core NII coverage to NII coverage, because it strips out one-time impacts — we prefer the core, regular, repeating income of a BDC versus a bonus from something happening one time.

So for 2027, we're generally looking for the higher-ROE funds. We're thoughtful about the leverage and the credit quality we're seeing. We're even improving our AI risk model after two quarters of running it, based on feedback from some of our partners and peers. And we think there's a lot of "baby versus bathwater" in BDCs. Some are troubled, will be problematic, and may have trouble surviving the next year or two. And I think some can

become some of the best performers we'll see for diversified baskets of BDCs going forward.

The LinkedIn article we did in the last week really looked at what will happen to munis — which had the toughest quarter in a while — with rates moving 25 or 50 basis points in either direction, using the median outcome for a basket of closed-end muni funds. If rates go up 50 basis points, your NAV will drop a little over 5% on average, though of course there are differences at the fund level. And if rates go down, that's going to be a NAV pop. We think long-term rates have room, and are more likely, to go down in bigger increments than up from here. That doesn't mean we can't get one or two more increases in rates, which would be tough on munis.

[20:50]

That's why we're using munis thoughtfully, strategically, and tactically for clients in the higher brackets, and also rotating where we can for tax-loss harvesting for clients who would value that benefit, while trying to position for better balances in that sector. Of course, one way to balance that risk — but be tax-thoughtful — is that BDC and senior loan NAVs will generally move in the other direction from munis. They're the least correlated buckets in our universe.

Our base case right now: overweight BDCs, senior loans, and high yield. We are thoughtful on some of the other sectors. We're more interested in preferred equity now than we were a few months ago, when we had a less optimistic view of it. Generally, we're market weight to underweight REITs, fixed-rate taxable bonds, and munis — but again, be tax-thoughtful and be diversified, because the future is never certain.

Section 5: 10-Year Asset Class History: Returns, Discounts & Correlations

[21:45]

I'm not going to cover this slide heavily, except to show you the rough differences across the whole universe of BDCs — the types of loans, maturities, number of companies — and to show that non-listed BDCs keep growing dramatically, while listed BDCs are still significant at almost \$175 billion in gross assets. What might be interesting: 12 years ago — I think 12 years ago next month — we launched our BDC fund, and there were 52 listed BDCs. Now there are 51. They're just very different BDCs.

This is a quilt chart we've been updating for a while. I'll just say we've been overweight world stock for longer than it has outperformed, which has been the last year and three quarters, but we think there's a lot of value outside the U.S. We're thoughtful about

diversification and where discounts can line up with potential outperformance and reversion to the mean.

MLP funds: if you go to our year-end podcast, they were one of our large overweights, and we've been very grateful to be there. There are still some attractive discounts, and putting new money to work there is still very easy for us. We've been historically underweight convertible funds the last couple of years because we kept thinking we'd have more equity problems. We've not been out of them; we've just been more careful with discounts and used a smaller allocation, which has been to our detriment, because they've done very well the last two years.

Covered call funds, again, are a wonderful sector for income production. They generally have lower beta — relative volatility to the S&P 500 — and most sponsors in that sector manage them in a tax-managed way. At the other end, high yield, preferreds, and investment grade, because of their interest rate sensitivity, have just been tough this year on a NAV basis, after some okay performance last year, though not amazing for many of those.

This is the average discount per calendar year for the major groups in our sectors, and of course year to date, which is three-fourths of the year. Where the deepest discounts have been is honestly fascinating: BDCs and senior loans are the widest, versus 2024, when they were some of the narrowest. So I do think that relative discount will swing as we get into 2027 and beyond, as the fundamental data connects with the income and the data the funds give us to analyze as investors.

This is the new version of this slide — please tell me if you miss the old one, which was red and blue and only showed double-sided values. We hope this really shows you the value of the correlations. A correlation of 94% between world stock and U.S. stock doesn't mean there's no reason to diversify. It just tells you that when things are moving, they're generally moving on the same input rails, while there are different underlying sector and individual company differences. It really reminds us why diversification is important. Three are highlighted here, but the top six really offer correlations under 75% — though it's hard not to put munis in your portfolio on the taxable side.

[24:47]

BDCs, MLPs, preferreds, and senior loans offer the lowest average correlation to the other 14 sectors, which is why we tend to use them, especially in our Alternative Income and Alternative Income Tax-Managed models, where we try to put lower-correlation asset classes in as the core building blocks of the portfolio. Again, this hopefully doesn't surprise you too much. The data isn't dramatically different from the past, but hopefully this new

way to visualize it gives you a better understanding of how and why to consider these sectors against other parts of your portfolio.

Section 6: CEF & BDC Universe Overview Stats

[25:15]

Looking at the universe, there are 409 listed funds at CEF Data on the U.S. side — listed closed-end funds and listed BDCs. That's about \$358 billion in net assets and almost \$540 billion in gross assets, coming in at a weighted 10% discount and 10% yield. Dividend growth is neutral for the universe, but you really have to look at what equity and muni funds have done. Munis have been more defensive the last year, in my opinion, than they've been purely because rates have gone up — but that'll benefit them later. BDCs and taxable income funds have been the challenge.

Marry that to the three-year numbers and you really get an understanding: yes, equity funds have had a great three-year record. Their distributions tend to track NAV levels and NAV total return levels. And muni bond funds are basically coming off a bunch of cuts, so that's the data. But it's worth understanding the five-year and other-period data as you analyze that.

You can see the average muni fund is at 11.5 years of duration and 32.5% leverage, with BDCs just under 50% leverage, which is about half of the regulatory maximum — and actually even less than that, because SBIC licenses don't count toward regulatory leverage. Not every fund has one, but there's lots of room for leverage, which gives us comfort that if there's a crisis, leverage won't be the thing causing the problem for BDCs. It still comes down to underwriting and working with your portfolio companies.

I say this every quarter, probably for the last couple of years: we like the non-leverage gross expense ratio. There's no perfect data point, but it helps you normalize all of the costs outside of leverage over all the assets invested, and it helps us analyze funds in a really powerful way. If you look at another web provider, you'll see a very different mix of much higher expense ratios — it can be two and a half to three and a half times higher — if you're counting all of the costs, including leverage, over net assets. But hopefully this shows you where the differences are by bucket. We like this as a great overview slide for educating people on what's in the cupboard if you're building a closed-end fund portfolio.

This slide shows that, yes, we've had a pullback in the sector in the last few months, but we're still seeing generally larger funds and a higher level of assets than in recent years. We had a new peak in total assets in the last 12 months, and I do think that can rebound as

things progress — even though the number of funds has been slowly declining for the entire history of our data, which goes back to 12/31/2011 at CEF Data.

This gives you a sense of where the biggest buckets of money are for traditional closed-end funds and BDCs. There's not a lot of difference from last year, and it's also a great way to educate people on who the players are in this space — like I'll be doing at a CFA talk in San Francisco next week. If you're in San Francisco, or want to be, next Wednesday at lunch, there are a few spots available. Just email Jenny on my team — she can get you free access to the talk I'm doing for the CFA Society of San Francisco on October 21st.

So this is a new version of a slide; I hope it's more informative for you.

[28:43]

That's really what we've been doing — using our AI resources to help take our broad data and make it visually appealing and digestible. So you'll see even more slides updated this quarter than last quarter. If you really want to have fun, go back three quarters and compare those slides to today's. Hopefully today's are far more useful.

Section 7: Quarterly Summary: Discounts & Returns; Major Sector Discount Levels

[29:00]

We really want to show you where the most premiums are, which is in muni bond funds — there are a lot of funds there that are really powerful. Look at the funds trading at the least discount. Beyond that, international bond as well as some U.S. stock funds can trade relatively well. BDCs historically will trade above book, right? Only five did at the end of the quarter, versus 43 below. And I'll note, as always, the BDCs have an asterisk: their NAV return is always delayed a quarter, but once we get the new data, we update all the slides that use NAV data.

Senior loans, covered calls, and U.S. stocks, which have a daily NAV, were the least negative — the most positive — for the quarter on NAV. There was no positive NAV total return in basically the credit sectors and real assets, which are the most interest rate-sensitive buckets, and you can visualize that in this chart. What's interesting is that discounts can fight NAV direction, and you'll see that especially in the senior loan sector and in the other big one that's rather different, MLP funds, where you have a different weighting between the two charts. Hopefully this gives you, based on your fund groupings, a sense of how NAV versus market price worked out for these funds, so you can

understand how your funds did and benchmark them versus peers in your portfolio — or in your client portfolios, for the number of advisors on this call.

This gives us a sense of where the discounts are. BDCs are wider than last quarter; we thought they'd be narrower by now. I'm happy to keep discussing that, and we'll go a little deeper in the slide deck and the questions.

You might ask why munis — which are a huge bucket, judging by the width of these columns — are only at a 4.7% discount. That comes down to munis probably being the sector with the most aggressive overpayment of distributions in excess of NII for a bond fund. Historically, very few muni funds paid return of capital, so the discounts are not as wide because investors are honestly looking both to avoid taxes and to capture these higher stated cash flows. When bought at a discount, those are not necessarily negative. We just continue to remind people: if you spend every dollar collected from a fund that's overpaying, you will have a problem if you live too long. So you've got to be more thoughtful as an advisor or investor, and it's not easy. It takes some work and some rigor to understand the percentage of a portfolio's cash flow — what we call the payout yield in our reporting to clients and prospects — and we look to diversify and also put some back into the portfolio. Buying something every quarter is a powerful way to take away much of the risk of outliving the cash flow of a closed-end fund portfolio, at least in our experience from the work we've done and the track record we've put together at CEF Advisors.

Section 8: Relative Discount Opportunity

[31:30]

This slide hopefully gives you a visual understanding of where things are relative to the different predetermined tops and bottoms. We've basically seen only one sector with a better discount than last quarter — MLP funds — and they've had a really big year to date. Senior loan funds are really close. The biggest moves since last quarter, again, are in the darker colors here: preferred, convertible, multisector, high yield, and international. If we look at where things sit versus pre-COVID, MLP funds are right around that discount level, which is interesting to me — very powerful. And we look at the pre-COVID and COVID lows and see how much we have

[32:53]

come down since last quarter. We like to understand the COVID-low data because it technically happened on a tough day six and a half years ago, but in a lot of our analysis we

remove three months from 2020 and treat them as an exception to the rule for the 15 years of data we track.

Look at the yield levels. Three things drive yield: the NAV; then the market price, anchored to NAV over the long term; and then the dividend going up and down. The market price going up or down, anchored to around the NAV, really gives you a sense of where yields are. Versus pre-COVID, yields are the highest on a relative basis on the REIT side and the BDC side, basically because rates are a lot higher than six and a half years ago. Versus a year-ago peak, which was before all these problems happened, there's no sector with a lower yield than a year ago, and no sector with a lower yield than a quarter ago. That doesn't mean every dividend is guaranteed, but it gives you a sense of where yields are versus other measurement periods as you build these portfolios — and if you marry larger discounts with an overweight and with where you think interest rates are going, and hopefully you're correct and diversified.

We never avoid any sector. I might say we dislike covered call or convertible bond funds, but that means it might be a 2% to 4% allocation versus 8%. Six to eight percent is a normal weight for us for a portfolio sector, so if it's over that, it's an overweight — for tax, diversification, or fundamental reasons. If it's lower than that, it's an underweight, for whatever reasons we're doing it.

This is hopefully a much better way to visualize this chart. The left-hand side is a great way to understand the right-hand side, which is about the same as last quarter's slide. Right now, when you dig into that almost 11% average discount versus the one-year and longer-term averages, only MLP funds and muni bonds are narrower than their 10-year averages. I've told you the "why" for munis, in my opinion. As for MLP funds, it's a complex 11 years in that universe. We think there are wonderful funds there, but they definitely had challenges in the market in 2015–2016 and in 2020. We think this range of where discounts are wider than the 10-year shows you some of the opportunity based on where they can go. I'm not going to say BDCs have no problems and will easily get back to their 10-year average, or to the higher range of their 25-year averages, but I do think they have the most room to move — as long as you're picking managers who are generating good ROE and have built their leverage thoughtfully, so that it's creating more tailwinds than headwinds for their income production.

Section 9: CEF Discount History & Frequency

[35:00]

We didn't have time to update these charts — they're a bit dated in design, and we're going to update them next quarter. Not that it matters today, but it does show you where the average closed-end fund is sitting: at almost an 8.5% discount. Only 6% of months had a wider discount than we saw on September 30th. I checked this morning, and discounts are roughly neutral over the last two weeks, if that gives you a sense — we've had some movement, but not dramatic movement yet this quarter — versus the 4-and-change percent average and median over the 25-year period. To be fair, in probably a year or so, this will go up to a 30-year chart, as we only have so much historical data and like to keep the measurements consistent.

On the frequency chart — this is a newer version — today we're in the 8% to 9% range. Only 4% of months — 12 total months out of 301 — were wider,

[36:48]

and only 9% of months were at this level or wider. That really shows you — and I can't tell you when, or even guarantee if — that historically you'll get back toward the negative 6% to negative 2% range, probably the negative 2% range; those are very common outcomes for a diversified basket of closed-end funds.

Section 10: Discount Seasonality & Tax-Loss Selling

[37:15]

This is a new way to visualize the seasonality that happens every year, showing that bounces happen most years — not much in 2017-18, not much in 2021-22 — and it gives you a sense of where those bounces were and how high they can be. I'll remind you this is for the 15 Sector Index, so there are sectors in the index that maybe weren't being impacted, but it's the best way for me to not cherry-pick anything. There are roughly 100 funds — seven funds per each of the 15 sectors — in this basket, and it's very powerful for understanding a couple of things.

Long term, the average annual performance of this index sits just below 9% — call it 9% to make it simpler. The average market price bounce, which is more than just discounts — that's NAV plus discounts — actually exceeds the average annualized return by almost 1%. That average 2-and-change-point discount bounce is on top of that; do the math, and about two-thirds of the actual performance in the tax-loss selling season is actually NAV

movement. We don't talk about that as much because the discount is more unique and more easily identified, but you're really looking for both the movement of NAV and the acceleration of discount narrowing to give you that move of roughly 3% every year.

I like to make educated guesses regularly in this conversation. We think it's going to be over 3%, probably closer to 4%. Our guess is 3% to 4%, probably 3.5% to 4% — if I want to put a friendly \$1 bet on it for some charity.

This slide is to help time it, and we'll keep adding data as we have more. My gut is that the second half of December is the likeliest window. This is historically where we've seen certain levels, and we've digested it to help understand the likelihood of outcomes and where we saw performance. Right now the signal is "buy late," because CEFs were positive in the prior year — back to back to back — and the data can be a little different if you haven't had a tough year, which we haven't had since 2022. We're not up 10% year to date, and I'm not guessing we'll get there in the next two weeks, which would be the "buy early" signal. That's why we're focused on "buy late" as the most likely outcome for 2026.

Section 11: Sector Focus: Equity, Taxable Fixed Income & Muni CEFs

[39:45]

We always find people forget about the dividends. They don't forget about them if they spend them — that's how they're living in retirement. But this was one of the first slides I produced in 2012 when we had our database. I wanted people to see a total return chart, because they sometimes forget that most of your diversified performance comes from the regular cash flows. You need to see that to understand the movements, and also to look at the relative movements of discounts versus market prices over 25 years and where we sit conceptually along that track. I think this is a really useful chart for understanding what happened during the Great Financial Crisis, what happened during COVID, and then what happened during the inflation and interest rate increases. About 75% of closed-end funds have leverage — a little more than that, but I'll say 75% to keep it simple — so it was tough to have leverage costs going up, and also to have all the non-floating-rate investments see their NAVs fall, with prices falling faster than that as well.

Equity funds are similar, but with a slightly different data dispersion. 9% of the months were wider, and 15% of the months were at this level or wider.

[41:09]

That gives you a sense of how unusual today is versus the normal 5% to 6% range. Equity funds have a little less leverage, and obviously little to no credit exposure, so they act more on equity returns than on interest rates on top of equity returns.

And this is where the taxable bond chart is: very, very uncommon. The only times we've hit wider month-end levels were during COVID, during the energy recession — and it was not much lower — and, outside of that, the insane panic of the Great Financial Crisis. That is our base case for why the basket is so attractive today: its month-end discounts are incredibly uncommon. As you can see here, only four months had a wider discount in 25 years of history, and only 3% of months were at or wider than today's level. Because of this structure — the benefits of leverage, active management, and its general outperformance and better structure than an ETF or open-end fund, which can be proven over time from history — a 2% to 3% discount is a normal level, and the basket can definitely sit at a premium, as it did just a couple of summers ago.

On the total return chart, which you'll see in a second, the NAV pullback is not as aggressive as the market price pullback. Not bad long-term performance for bond funds, but I think we'll get outperformance of market price over time as NAVs stabilize and interest rates stop rising. Though remember, senior loans and BDCs like rising rates, as long as their borrowers can pay the new rates.

Munis, as I told you, are not as aggressive as taxable bond funds, even though they have the highest duration in our universe. We're only about 100 basis points wider than the 25-year median, and over a third of months had wider discounts. So it's attractive here, but I think you've got to be more selective, careful, and active with muni bond funds in the current environment. This shows you the same thing — where we sit is basically in the middle. 48% of months were the same or wider, so we're just barely on the lower end of average. Getting back to a negative 3% to 4% discount would be normal, and popping up to a 1% to 2% discount would be likely as economic outcomes get better for these funds.

And this is the more aggressively painful total return chart, because it puts the last year's pullback on top of 2022. Go back to our research calls and our podcasts: we were as underweight bond funds as possible going into 2022, because we felt there was so much risk of rates rising, and we did our best to stay diversified and tax-thoughtful for clients. Some clients paid higher taxes over the next 12 months, but once they saw this chart, they were grateful for what we had done. This sector will do better, in my opinion, but it's going to do better if rates are stable or declining — or, if we actually get a recession, they're going to do wonderfully, because that also leads to declining rates and more interest in the sector's holdings and the net asset value of these funds.

Section 12: 15 Sector Index: Return Distribution & the Bad Days

[44:00]

This is the second quarter using this slide, which tries to show what's a normal outcome — a dispersion of outcomes — and every quarter there are three more months in it. Basically, there's an overweight of positive months versus negative months. There are generally more large moves on the positive side than on the negative side. It's not quite the same, but it's almost the same: a 2.93% average positive month and a 2.97% average negative month.

[45:01]

What's interesting to me — and this really goes back to the sentiment of closed-end fund investors — is that 25% of the positive returns come from discount narrowing, but 38% of the negative returns come from discount widening during those negative months. And we're sitting just below 63% of months positive, or 111 out of 177 at CEF Data for this 15-sector diversified basket. It doesn't overweight credit or underweight equity just because of the nature of the funds we follow. I find this really helps you understand that it requires you to be diversified. You can't be half munis or half BDCs. It has to be a diversified basket to have this level of — a little bit less — volatility, in my opinion, but this is a great way to see what a normal outcome is for a diversified portfolio. And of course, these are total returns.

For the calendar-year returns: how has NAV versus market price done for that same index? We're showing the average basket, and we're looking at annualized price returns of 8-and-change percent and NAV just under 8%. And for the last two measurement periods, NAV has outperformed market price, which means discount widening for almost two straight years — and that's one of our theses for why this is a very powerful opportunity. Looking at the differences between those years on the chart below gives you a sense of when discounts were broadly narrowing or widening on a calendar-year basis. We've had about 6% of widening over the last two calendar years after about 7% of narrowing in 2023 and 2024, so we've basically pulled back almost to the levels at the bottom of the discounts in 2022, from a diversified perspective.

This is a new slide, and it was one of the outcomes from that article we wrote in the last week. We wanted it because so many people say, "Well, my portfolio seems to go down when the S&P goes down, and it seems to go down as much." Again, this is an index, not a personalized portfolio, and we removed those three COVID months. In a normal week — there are 758 weeks here out of 770-some total weeks in our database — the S&P 500's median up week is 1.24% and the closed-end fund diversified median is 0.78%. On the

downside, it's 1.07% versus 0.63% — I'm rounding here. The best 50 weeks for the S&P 500 over the last almost 15 years were up almost 4%, versus about 2.6% for the CEF index over the same period, and the worst weeks were down 3.4% versus 2.4%.

This is the median, because in my opinion a median is best here: it lets us focus on the most common outcomes without extra-small and extra-large data points distorting things. 79% of the time — say 80% if you want — these portfolios move in the same direction.

Let's talk about the bad days. On 2% down days, 91% of the time closed-end funds fell less, with a pullback of about 1% less. On 3% bad days, they fell about a third less, roughly 80% of the time. And on 4% days — there are only eight of them, a tiny sample size, but very strong results. And there are only two 5% days. The interesting thing, noted here, is that on those days — 6/11/2020, which was a tough reversal after such a good move over the previous almost three months, and April 2025, which was the tariff tantrum — the terrible days were equally bad for closed-end funds, basically almost the same level. So what this tells us is that a lot of investors and advisors feel that closed-end funds are less connected to stocks, and it's not that they're unconnected — but the magnitude is dramatically less.

[49:28]

And again, if you're only in munis or only in senior loan funds, you'll have a different answer. This is a diversified basket of funds, which we find to be the best way to approach closed-end fund investing.

Section 13: CEFA CEF/BDC Index Performance

[49:45]

So how did we do? I'm just going to cover the top index here, but we have other indices we use for our work at CEF Advisors. Per CEF Data, the 15 Sector Index was down about 5% for the quarter on price; roughly half was NAV and half was discounts. Year to date, it's up almost 7% on NAV total return and almost 4% on market price total return. On a one-year basis — we added that last quarter — NAV is up about 8.5%, with average discount widening of about 6% on a one-year basis for the average portfolio. It's not been fun to experience. Hopefully you've made adjustments in the last 12 months and in the last quarter, and you're building a portfolio that should outperform going forward.

Now the underlying sectors. Looking at the biggest moves: utilities are down 12%, and 9.5% of that was NAV. Then you look at preferred equity: it's down 9%, and over half of that was market price — just under half was NAV, at 4%. Even the hybrid/balanced funds, which have less credit and are usually sturdier, had almost a 4% NAV pullback; that's not

pure equity, but it's a more equity-oriented portfolio. The only places NAVs were up were basically the U.S. equity side — which is why we also own U.S. equity funds for clients. We don't only buy bond funds, because we never know what's going to do best. On a one-year basis, you can see it's only been tough for real assets and preferred equity, and suboptimal for utilities. It's been really great for regular equity, which is why, as I told you, we don't avoid regular equity. We just size it appropriately based on clients' income, risk, and tax situation.

Here's the breakdown on taxable bonds. Outside convertibles, the long-term NAV performance of internationals is okay because of the currency moves last year. But basically, again, outside of convertibles, it was a tough quarter. Senior loans eked out a small gain, but that's only because they got the rate math right on what happened in September.

Then there's the CLO index — I want to say it's 80% CLO equity. We generally avoid CLO equity for most clients and most portfolios. We would typically get exposure to CLO debt through diversified strategies, or sometimes we'll pair an active ETF in the AAA tranche with an interval fund in the lower tranches, balancing liquidity — so we don't have too much in the interval fund, because you can't sell it every day — while also understanding that some of the best-positioned managers are in the non-AAA tranches of CLOs, if you're going to be there. We've been grateful to have avoided basically 99% of the CLO pullback in the last year. To be fair, the sector was doing better previously, and we avoided it then too. At CEF Advisors we prefer BDC analysis to CLO analysis. We feel that over time we can model the risk better, there are more choices, and we can recover better based on how we analyze recovery trends across the basket of funds.

Tax-free: the term funds, which have a little less duration and leverage, held up about 3% better on NAV. This will show you why it was hard to own munis through the quarter, and discounts were widening in almost every one of these. New York is a little light on widening, but looking at the average fund, roughly a third of the pullback was discount widening, and over the last year it's been roughly flat for the average muni. That's the All Municipal Bond Index, which is state and national funds over a certain size. Honestly, when there's this much red, it freaks people out — and it brings new investors into the space, and it usually leads to better outcomes, as long as you understand that if rates go up 50 basis points, you're going to see another NAV hit. But the discounts are really wide and give you some protection.

[53:44]

And again, I think one increase is my base case, and two is possible, but I think eventually we will get a rate cut, which would move these portfolios the other direction.

And then BDCs. Longer term, the prices have done well, and NAVs are only quarterly, so it's not the same NAV analysis as a regular closed-end fund. Looking at the equal-weight index at the top, we saw a small total return for the quarter, and we're down on a one-year and year-to-date basis. You would expect NAV total returns right now to be up 6% to 7% year to date from income alone — let's say 6% to make it simple — and they're closer to 3%, so roughly we've had about 3% of NAV loss this year, which has been some markdowns in the portfolios, and of course some portfolios have been hit worse than others.

I think it's also worth looking at the last two indices. The small-cap index was flat in the quarter and down 10% year to date, versus the large-cap index, which was up two-and-change points in the quarter and only down 2% year to date. We do think you can fish in the smaller BDC neighborhood, but you need to do way more work and be far more selective. You should still be in large caps; they're generally more protected because they usually have lower expenses, cheaper leverage, and deeper bench resources for problems. But there's definitely a handful of listed large-cap BDCs I would avoid yesterday, today, and tomorrow.

Section 14: Sector Focus: Muni Tax-Equivalent Yield & BDC Discounts

[55:00]

This is a new way to model this, because it's gotten more complex with return of capital being relatively new for these funds. We hope this really gives you a sense of what we believe is the current earned yield we're modeling for the muni basket: about 5.3%. You can see that the unlevered portfolio yield is about 5%. Leverage adds about 1.6 points to the yield. The current discount adds about half a point — if discounts were wider, that might be closer to a point. That gives us a market price yield of 7%. Then we take out the 24.6% return of capital — we pick the higher of the one-year and 90-day figures to be more conservative — and taking out that 1.72 points brings us to 5.3%. So if you're looking at a diversified basket of muni bond funds, you can, in my opinion, use 5.28% as a core estimate of the cash flow you can believe is actual earned income. Hopefully these tax-equivalent rates are useful for those in the higher brackets, and remind you why you use these funds, even when their recent history has been ugly and a little painful.

And this is the BDC side. I'll cover that universe real quick. This shows you how uncommon this is: only after COVID and the financial crisis were discounts wider. While we have problems in the sector and in its headlines, I think the gating of interval funds and tender offer BDCs is not a risk to listed BDCs — which is what this chart shows; of course, it says market price discount. It actually can create opportunity for those funds. And

honestly, there's been such growth in non-listed private BDCs that it's actually nice to have a little bit of pain, because it favors those that are better at it and actually have a strategy, versus everyone adding a BDC because it's popular. It's not my expertise, but it reminds me of when SPACs got popular — let's say 50 new ones a year is normal, and then it was 500; I can't remember the exact number. When it gets that easy and common, it tells me you probably get some inexperienced and less useful funds in the universe.

Yes, you can go wider, but it's very uncommon to go much wider — and yet we're not in a recession. Leverage levels have stabilized. Dividends are down from peak earnings, but they're up since last quarter. And we think NII is going to grow roughly 8% for the average BDC in the earnings we'll see over the next 60 or so days, which is another reason we're optimistic and overweight on BDCs. Again, we're very selective, but we're also sizing positions thoughtfully.

[57:49]

For example, we often size closed-end funds at 2% or 2.5% on the low end and 5% or 6% on the high end. We occasionally break those bookends, but that's the core level. For BDCs, it's traditionally 1% to 3%. In my portfolio for our family, I think we have some BDCs over 3%, but I'm a little less active in those portfolios as well. If you're curious, on LinkedIn I did a post looking at our changes in the last quarter as a household — I thought it might be interesting to publish not what we sold and bought, but the sectors and dollar amounts — and we're actually even more active in our client portfolios than in our personal portfolios. It gives you a sense of our approach at CEF Advisors to this basket of funds.

This, I think, is the most telling slide of all — the BDC total return chart with the NAV. NAV total return is still trending higher, because the yield is outpacing the pullback in NAVs on a one-year basis, but market price has made a big move lower. Again, I believe we'll eventually see market prices cross the blue line. My daughter turned 16 yesterday; I can't tell you if she'll be in high school, college, or beyond when it happens. Historically, it has happened. It just took a while after the GFC pullback, but it got very close by 2011–2012, got very close in 2017, finally did it just before 2020, and then again right after 2020, when BDCs recovered so beautifully from COVID. That's another reason why, when you see this angry downside — and look at the BDC chart right now: it's big moves down, but it's more range-bound than angry. Based on the headlines and the absolute discount level, it is pretty aggressive, but it's been far more sustained by the structures. The data is telling me it might take longer to heal, but I think the healing will come.

Section 15: Sector Focus: BDC ROE Cohorts & Earnings Calendar

[59:45]

We've now done this twice, and we'll do it again once we get full data for the listed universe, which comes out faster than non-listed. It's real simple: I wanted 18 and 18. The model uses a minimum market cap of \$240 million, so we're looking at 36 BDCs, and we literally sort them by one-year ROE once we have last quarter's ROE to update the one-year numbers. I've gone over every line item, which I'm not going to do now, but there are really two things I think this tells you.

First, ROE is far more predictive of future dividend returns and future NAV returns than the discount, or how much of the portfolio is in software or AI risk. There's a little bit less AI risk for the higher-ROE group, but the difference in the data is so dramatic it can't be accounted for simply by sector exposure.

The other thing I find really interesting is what's under consideration. There are fewer write-downs when you have high ROE. There are fewer non-accruals. There are fewer realized losses versus fair market value and fewer current markdowns versus cost, which really drives net asset value performance. That's where the benefit is. Dividends are sturdier when you're making money — you have more wiggle room. Dividend growth is negative 6.7% versus negative 16%, and that is the difference to me: the 10% yield on the blue side is safer and more likely to be a good investment for the average basket than the 14% yield on the gold side. That is an opinion. I'd much rather buy the average basket trading at roughly flat to NAV than the average one trading at a 28% discount. In our work, we're thoughtful about which ones we buy on the blue side, and we do buy some gold or yellow BDCs here, but there's a lot more research, analysis, and discussion with peers and management before we make those decisions.

And the bottom piece is long term. When I first ran this, I thought: maybe the bad ROE or the good ROE is temporary versus permanent. So I ran the five-year average, and it's not the same depth —

[1:02:04]

it's a difference of about six points versus a difference of 10 — but it's still significant. Generally, if you're not doing well now, you've not done well over the previous five calendar years, which were some of the best times for BDCs.

This shows, again with some estimates, when earnings season will happen — feel free to take note. We update this for clients of our BDC dashboard every two or three days as we

get updates from our new system and the dates go from estimated to confirmed. That's accessible to those data clients.

Section 16: Sub-Sector Yield Comparison

[1:02:45]

This is such a common slide, but so important to me. I usually talk about the widest and narrowest gaps, and I see real assets, which was driven by one large, almost one-year-old direct listing [BPRE], with a much different market yield versus leverage-adjusted NAV yield. But even the hybrid/balanced sector, which isn't driven by that same outcome, is getting about 250 basis points of extra yield because of some modest leverage and some deeper discounts. That, to me, is the benefit of leverage and discounts in getting future cash flow.

Again, a great way of thinking about the green bar here is that it's the number the manager has to hit to meet the board's distribution policy. On leverage-adjusted NAV yield, I've seen AI, investors, and advisors say, "If it's a high number, the manager must be doing better." And I say, no — it just means he must do better to meet the policy. If he doesn't, he's eroding NAV. So you've got to get NAV performance pushing toward the leverage-adjusted NAV yield after expenses and leverage costs. That's the only way to not worry about erosion of net asset value in these sectors. For some broad-based perspective, the indices give you a sense of where yields are on the equity side.

On the bond side, yields are closer together, because of discounts, than they used to be. But let's talk about high yield versus senior loans, which have similar numbers: 11-and-mid-change versus 11-and-change on market yield, and 8-and-high-change versus 7-and-high-change on leverage-adjusted NAV yield. Senior loans are often yielding less than high yield because they're more protected, but they're floating rate. So imagine that — the difference between 7.7% and 11.3% is, to me, really awesome for understanding the benefits of putting a few senior loan funds in your portfolio as an income investor. And if rates are going up, you're going to see good NAV performance, generally speaking, and increased dividends, generally speaking, based on historical data and logic. With high yield, if rates go up, you're actually going to see NAVs hurt — but way less than preferreds and munis — and there's a high cash flow now, which is overcoming some of those NAV hits, as long as you're thoughtful about the manager and the discount.

The senior loan index — and closed-end funds aren't a pure index — is at 6.4%, which is a large piece of 7.7%, roughly 85% to 90% of that number. For high yield, I think it's fascinating: the index's 8.2% is even closer to the 8.7%. What that tells me is it's not hard for

a high yield bond manager — there are shorter- and longer-duration mixes in there — to fuel that 8.7% when the index is doing 8.2%. If rates tick up again, those numbers will tick a little higher. But again, NAVs will be pulled down on high yield funds, and NAVs will generally be pulled up on senior loan funds. That's why I love talking about these two: a lot of investors use them in concert, or sometimes swap them, based on factors beyond NAV analysis or interest rate analysis, and you can't forget the NAVs.

Section 17: Leverage Levels & Leverage Cost

[1:05:30]

Leverage levels give you a sense of where there's leverage.

[1:05:53]

Obviously BDCs have the most leverage, and then we have a lot of leverage in preferreds and senior loans, all the way down to some of the lighter-levered funds in the mix. This shows you the 5th to 95th percentile of the options in the mix. Preferred equity, for example, is a smaller group with a tighter range of outcomes. Look at high yield bonds: some are unlevered, and some are levered at 30-to-mid-30s percent. Hopefully this gives you a sense of normal leverage and the makeup of that leverage at the portfolio level for these different structures.

On the cost: this is always as accurate as we can collect, but it's not yesterday-timely. It takes time for the data to come into reports we can analyze, but it gives you a sense of the range of costs available in these different sectors. Basically, for anything over 6%, you've got to make sure the leverage is actually additive relative to its cost. And what we can do — we don't do this publicly — is take each fund's leverage and, based on what's happened since the last disclosure, build base-case estimates of whether the leverage cost is going higher or lower based on the mix of assets in the sector and the leverage type.

People often ask, "What is leverage in a closed-end fund?" It is not one thing, but it's mostly three things. Thank God for AI now: you can take this slide, put it into an AI tool, and if it sources from good places, you'll get great definitions of these leverage types, their benefits, differences, and nuances.

Section 18: Return of Capital Trends & Destructive Return of Capital

[1:07:30]

New version of the slide — hopefully you find it beneficial. Looking at return of capital by sector, what are we seeing? MLP funds are relatively stable but lumpy over time. REIT funds are trending higher, but that's because NAV performance has been ugly, so there's been more return of capital to maintain distributions, which generally would be deemed destructive over time — more of that in the REITs. International bonds are relatively stable and not as noisy. Peak to valley, MLP funds are still noisy. Convertibles tend to use return of capital relatively often, but you can see they're on the lower end right now because they've done so well. Then we look at world stock — again, return of capital isn't always bad; the trends of it are often important. We can visualize it at the sector level here, but we do this charting at the fund level as well. U.S. stock again is relatively low at 15%. Covered call funds are actually at one of their lowest levels historically, because NAVs have done well. So where do we find return of capital normally? It's most normal in MLPs and real assets, where it's actually part of the accounting nature of the underlying holdings, and distributions are paid out that way even before any tax management at the closed-end fund level or overpayment relative to NAV performance.

We tried to make this slide a little easier to digest. This is a formula we came up with over 10 years ago, looking at where there's return of capital, and then at the number of funds in that mix where we deem the return of capital destructive. The basis is whether NAV performance is fueling the NAV yield, and then there are sectors like MLPs and real assets where, if it's showing up, it's less destructive because it's more common, and sectors where it's not common, where destructive return of capital is weighted as more destructive based on how normal it is. What this means — I'm just going to do the 23% — is that the average fund's return of capital is 23%, and the average DRoC is 27%. That's 27% of 23%.

[1:09:37]

And then we eyeball whether NAV performance is fueling NAV yield, based on the 1-, 3-, 5-, and 10-year periods, to give you a sense of where return of capital is less risky if dividends don't change, at the group level. I think, hopefully, you find it is not that risky for the diversified basket, but it's been tougher because of the toughness of returns in credit funds the last few years.

Section 19: NAV vs. Price Volatility Comparison

[1:10:00]

We turned this slide the other way so it's hopefully more visually identifiable for you. Plus, the gap is noted in each one: the difference between NAV and market price volatility, one year versus 10 years, to really understand how recent volatility, by NAV or market price, compares with a longer-term span. Honestly, I think next year we can probably take this to a 15-year chart to make the longer-term data a little less noisy for those occasional high-volatility years.

How could you use this? Generally speaking, if you're a growth investor, you don't mind high NAV volatility. If you're more conservative — and both are far from the most conservative investments — you generally want lower NAV volatility and higher market price volatility, which could be read as discount volatility. Our data products analyze that data separately, but that's the rough core of it. Ideally, if you're less worried about NAV volatility, which is bumps and bruises through regular market cycles, and you buy a relatively wide discount with high market price volatility against low NAV volatility — basically, discount volatility — you have a higher chance of recovering faster, from a discount to hopefully a narrower discount, or sometimes a premium. You should never expect a premium.

The same analysis for credit sectors. I think BDCs, because they have four NAVs a year, are always going to show lower relative NAV volatility. But if you look at the 10-year data — 8.3 compared to 5.8 for senior loans — you can see the long-term difference in volatility. We expect BDCs, which have higher return profiles than senior loans, to have more volatility. And senior loan funds have about half the market price volatility — a little less than half of the 36 we've seen for BDCs on a 10-year basis — which is of course huge. And again, the caveat: NAVs are quarterly for BDCs, and we can only analyze what we have.

Section 20: CEF Trading Volume Trends

[1:12:00]

Liquidity: we saw a quarter-on-quarter pullback in MLPs and convertibles, U.S. stock, and world stock, while the average bond CEF was up, because we saw most munis, preferreds, and real assets trending on the higher end — plus investment grade, though it's a relatively small bucket with a small number of funds. Based on the year-ago quarter — that year-on-year change — we're seeing that same pullback in convertibles, and the biggest growth is even more pronounced for real assets. Of course, the caveat: there's that one direct listing,

BPRE, that isn't in the year-ago data but is in the current data. That will normalize going forward. And U.S. stock is showing a far larger year-on-year dollar change.

Why we like this data: we look at the correlation of NAV and market price, which you're about to see in two slides. We look at liquidity trends relative to history and peers, and then we look at discount trends. That helps us understand the reasons for the buying and the magnitude of the buying, which helps us understand the likelihood of outcomes based on history — it's some of our secret sauce. A lot of our data clients do the same thing with our data, really trying to intersect those data points to pick tops and bottoms and decide when to overweight and underweight different positions.

Section 21: NAV vs. Price Correlation Trends

[1:13:15]

Correlations on a long-term basis are higher: neutral for non-U.S. equity funds, slightly down for U.S. equity, but on a year-on-year basis, taxable bond funds are far more correlated.

[1:13:34]

That often happens in more aggressively bad markets, and you saw an even higher correlation for taxable bond funds than last quarter. And munis — honestly, because they recovered so much in the second quarter and then got kicked in the gut in the third quarter, after being kicked in the gut in the first quarter — we find that correlation volatility tends to be higher for munis in this environment, mostly driven by rate outcomes, in my opinion.

Generally speaking, you can see where these correlation numbers live, but what's cool is to look at the actual chart — this is a much better version than previous ones, and hopefully far more useful to you as an investor or advisor. You can see the peak-to-valley ranges over time and some key spots of high and low correlation. It's not a perfect sine wave, but there are peaks and valleys; it doesn't always go to the top or the bottom, and the bottom here is not zero. It's very common for the average to be 80 for U.S. equity funds, 86 for non-U.S. equity, and 81 for specialty — so 80% correlation is normal for equity funds. They're far more driven by NAV performance than by other factors. This gives you a sense of the average and the current level. Highs were over 90 — well over 90, like 96 to 99 — during the COVID recovery, when everything was going the same way aggressively, and the lowest levels were in tough markets. I think that's a helpful way to analyze this data.

Now this is the higher-magnitude chart: an average of 64 for taxable bonds and 69 for national munis, with much bigger moves around those averages, and you can see what

percentile we're in. This is another reason why we think muni bond funds are near their discount-widening peak, even though discounts there aren't crazy wide: the correlation data breached essentially all-time levels — 99th-percentile levels — for the correlation of NAV to market price for munis, while it's only 77 for taxable. Again, normal is a 69 average for munis and 64 for taxable. Anytime munis are higher than 70, you get some level of future additional tailwind, I think, and often when you're below 70, you've potentially got some headwind. This data is never perfect, but you can see they tend to move in similar directions, though not always.

Section 22: Quarterly Press Release & SEC Filing Stats

[1:15:30]

So what's happened in press releases? I'm just going to talk about what's different than normal. There were fewer tenders than average, but still regular tenders. We've seen slightly fewer 13D/G filings than recent historical averages. We've seen more N-2 filings — for closed-end funds, that's secondaries; for interval funds, the N-2 creates a closed-end management company — and updated N-2s are at double the historical average. "Updated" usually means a sponsor filed one previously and is now getting closer to an IPO or fund launch and making changes to it in its filing. We saw fewer director changes than historically, similar portfolio manager changes, and a slight increase in leverage changes, because this has been a leverage-changing environment. Hopefully this gives you a sense of how common these activities are, based on the last handful of calendar years and the last quarter versus year to date.

Again, I think it's useful: fewer tenders and slightly more rights. We've averaged five rights offerings a quarter for a long time, and there were a lot more in 2025. Will we beat 2025's rights offerings in 2026? Year to date, I would say no, but my gut says that if we add the next 90 days, I bet we're at 32 or higher for rights offerings in 2026 — that's my best guess — because more fund sponsors are doing them that haven't done them previously, and I think more will step into rights offerings.

Section 23: Quarterly Distribution Changes & CEF Distribution Lookback

[1:17:30]

Dividend changes — and these are policies, not promises, which we'll show as well later. Basically, 92% were maintains, versus a normal 90%, so not a big difference. We saw increases

[1:18:06]

averaging 7.8%, which is right in line with the previous four quarters' average. The average decrease was 5.2%, better than the previous year's decreases. The small increases were larger, and the big increases were smaller. These are generally benign factors for this part of closed-end fund analysis. Going to decreases: the small ones were similar, the middle ones were similar, and the large ones were slightly heavier. But there were only three decreases over 15%, and nine over 5%. So it did happen, but it was not a high-volume outcome for the universe in the quarter: less than 1% were big cuts, out of almost 1,000 announcements.

So how have these sectors changed last quarter? Some sectors, like senior loans, went both directions — probably the most pronounced. Muni bonds on a one-year basis went both directions, and world stock on both a one-year and quarterly basis went both directions. The increases were coming from preferreds, as they were last quarter and over the last year. There are a lot of differences across sectors, which sometimes come down to too much payment coming down, low payment coming up, defending against activism, or dealing with activist investors. The net difference is more decreases in the quarter for high yield and international bonds, and on a one-year basis it's been pretty ugly for BDCs, senior loans, and munis, and for the small buckets of investment grade and multisector bond funds — and way more increases for preferred stock and regular stock funds.

This is a much better version of the distribution growth rate slide; I hope you're as excited about it as we are to analyze it. The growth rates give you a sense of what's happening to these structures. Generally speaking, as a whole, equity funds have had a very good 10 years. MLPs show the biggest changes: they're still down on a 10-year basis, while the five-year number is aggressively high, because MLP funds got destroyed during COVID after getting kicked in the teeth in 2015–2016. Preferred equity, because it's more rate-centric and hasn't been as defensive of discounts through overpayment as a sector, is showing almost the equivalent of a cut, but on a one-year basis, not as big an increase. On a one-year basis, the only areas really losing money cash flow-wise are senior loans and BDCs, but that's because rates are down. Over five years, it's negative 2.3% for the average BDC, though many BDCs are up on a five-year basis, and they're up a lot on a 10-year basis. But 10 years ago they were different species — some overlapping and some different. Again, I think this

is helpful because it gives you a sense of where the pockets of change have been, recently and historically, to help you understand what's most likely for your basket and for your overweightes.

This is the "policies, not promises" slide: dividends are changing constantly. I'm going to focus more on the last panel because of time. You have 35 funds that have done both increases and decreases in the last year, and there's been a slightly higher historical rate of raises than cuts over one, two, and three years. These are all different methodologies, but they help you understand the different ways these funds are moving across three time periods. It's definitely worth analyzing in our experience, because it's a great way to understand what's normal for you.

Section 24: IPOs: Trends & Recent Highlights

[1:21:00]

This is where IPOs are down. Direct listings and BDCs have really been carrying the day since 2024, but this shows you where those assets are, and we're still clocking about a \$900 million average IPO or direct listing, and nine funds a year. If you look at it, the last time we got more than nine funds was 2021. We got closest in 2024, but that's because of five BDCs.

Let's look at the trend over the quarters — what's normal and where the peaks are. Hopefully this gives you a sense of where the market has brought new products to our cupboard and your cupboard, both in number of funds and in size of funds raised.

[1:22:39]

The number of funds is in blue, with Q2 2013 being 10, and the next closest being Q4 2021 and Q1 2022. It's been relatively light since then, outside of Q1 2024. This is important because it helps you understand when fund sponsors bring products to market and the historical base case for what they've brought, though it's been evolving dramatically over the last 15 years.

So what's been coming? Over the last four quarters, 56% general equity funds, 27% global real estate, REIT, and real assets, 15% loan participation, and a tiny sleeve of equity-focused BDC — that's the Robinhood Ventures Fund II [RVII] portfolio — in terms of where the share of assets has come across those structures and sectors. This is a four-quarter lookback; I guess we could do an eight-quarter one, because there's been less. It gives you a sense of what's been coming to market recently, which we find helpful.

Going back over the last few quarters: I'm going to cover what's happened this year in the second half, because that's the quarter end, so these are all prior to that — but don't forget they happened this year, because some of our data clients haven't put these in their lists yet. To give you a sense of how they've done since their IPO price: obviously the discounts are aggressive for the C1 Fund [CFND], FSSL, and BPRE, and there were actually premiums for VCX and RVI, mostly because the guts were very different — people wanting SpaceX and/or Anthropic or other things in those less common structures.

I'm going to focus on RVII, the only one that came to market in the third quarter. It's at a 9.8% discount, moderately sized; it came out at \$25 and is currently at \$21.55 market price. Add back 10% and you're closer to its IPO price, but not there. I think this is an attempt to revamp the equity BDC structure, and I hope there's more innovation here and more peer groups, just like we can analyze BOT, Powerlaw [PWRL], VCX, RVI, and DXYZ as a hairy basket of cousins as we decide which ones we might use in clients' portfolios. It is worth noting — I don't think anyone else has done it — that Powerlaw did a 6% dividend as part of its discount management, in our opinion. I think the market should know that. It doesn't mean they can fuel it from exits, but they've told me they have the ability to fuel it from cash on hand, and they think it's going to be a great way to offer shareholders liquidity relative to NAV where they have high conviction about where they're going. I haven't spent as much time with RVII as I have with Powerlaw and Pershing Square [PSUS], which is another wide discount but a very different animal — focused investing that we covered in an article and occasionally update.

So over the last 20 quarters, what's been coming, and how is it performing? This tells us about the recent health of the market. There are really only premiums in three places, and there are only three places — not the same three — where the current price is above the IPO price. Think of FSCO, the older sister of FSSL: a very similar portfolio that just came out earlier, so it had a chance for its market price to trade more favorably versus its IPO price. On BDCs, nothing that's come out recently is at a premium. Of the BDCs that have been out for a while, the tightest discount is BXSL; RVII is so small and so new that it's hard to rate its data. And closest to its IPO price, again, is BXSL, which probably trades a bit better than RVII, but over a very different time period, so it's hard to say its data is normalized to the deals from Q4 2021 and Q1 2022. To me this is such an easier way to digest this data; hopefully you really like this new slide as well.

Then, how do we look at where discounts are versus historical IPOs? That gives us a sense that IPOs tend to happen a bit after narrower discounts.

[1:27:18]

It's not perfect, but you saw that discounts blew out in 2022, and since then there hasn't been as much recovery, though they narrowed in the first part of 2025. So this gives us a sense, while also knowing the market's been different the last three years versus the previous 15. It helps us measure how the IPO market was much more predictable pre-2022 than it's been since. We're looking and talking to partners and peers about where it can go and where it can find new footing beyond the current direct listings, conversions, BDCs, and venture capital and private equity funds, which have been the lion's share recently.

Section 25: CEF Mergers & Deaths; Corporate Action Alpha

[1:28:00]

Mergers do happen: 420 since 2006, even before our data business — and there's some survivorship bias there; we did some deep research for a project a couple of years ago and got as much of that old data as we could. A good 21 a year is our average, and the highest year was 57, in 2012. Generally speaking, every merger gives you a positive cost and NAV outcome, with the fund sponsor paying the cost. It doesn't mean every merger is a shareholder-friendly outcome, but it is a cost and NAV benefit. Generally speaking, our data suggests being in the fund with the widest discount is best, but there are some caveats based on the mergers we've analyzed more deeply since 2012, which is about 350 mergers.

Deaths are basically the structure going away: liquidation, open-ending, or conversion to an ETF. We wouldn't call an interval fund becoming a closed-end fund, or a closed-end fund becoming an interval fund, a death, because it's not killing the closed-end structure; it's just changing liquidity. Hopefully this gives you a sense: the peak year was 2021, the average is nine a year, and we've lost 174 closed-end funds in 20 years. We got the updated file from our data manager, and we use this slide to explain to investors and advisors why they shouldn't ignore — or be ignorant of — corporate actions. Some hurt; some help.

Liquidations: we generally want most funds to survive and thrive, but if they're going to liquidate, this shows a 4.8% average alpha, with almost 17% available before the announcement, as it's likely being priced in.

Rights offerings, on the negative side, show about a 9.5% average relative pullback, and you get a bounce of about half of that back. If you oversubscribe, you can get back a varying piece of the missing half, but it's very hard — unless you get a whole lot more than normal from a less dilutive rights offering — for it to be a positive experience versus 90 days before the rights offering was announced. That shows how powerful this is.

One of my data clients — he's actually really smart and very experienced — asked, "Is there a way of knowing which rights offerings are going to happen?" I said there are two ways. You can look at how commonly a fund complex or the fund itself has done them, which tells you the historical likelihood, though there have been new funds doing them for the first time. And we can also say discounts are usually tighter when there is one: on average, 90 days before a rights offering, the fund is at a 3% premium. If you want to widen that to a 1% to 3% discount because discounts are wider right now, a rights offering at wider than a 5% discount is less likely — that would be a brighter red flag, I'm assuming — and much more likely at a narrower discount or a premium, because then sponsors can argue it's less painful.

Dividend cuts: historically, you lose about 4.5% in discount on cuts of 10% or bigger, and you get a small 1.5% alpha from increases. We love increases. They don't really change discounts dramatically, but what they do is increase future distributions — and if you bought in at a relatively wide discount, that's even more magnified in your favor, even better than the alpha from the increase itself.

[1:31:37]

That's one reason why we argue it's tough to use large dividend increases as the only discount management mechanism: they have a much less powerful impact on funds than the negative impact of cuts.

Then tender offers — they're usually activist defense or an activist outcome. There are 232 in our database. The average acceptance is 39.3%, and the average offered — it's not on the slide, but I want to say it's about 19% — so roughly double. \$14 billion was offered, averaging \$61 million at the fund level. The average tender is at 97% of NAV, and discounts go from about 12% before to about 9% after notice. Then, if you oversubscribe the average tender — you get the 39% accepted versus the offer at 97% of NAV — you get a tendering alpha combining the bounce and the structural alpha of getting a portion of your shares, almost 40% on average, at NAV. From a relatively wide discount, that's a 6.4% bounce, which is one reason we think it's so important to participate in your tenders, plan for tenders, and reduce the risk of rights offerings.

We did get rights offerings in our portfolios in the third quarter — don't think we're immune to them. We just have fewer on a percentage basis than the market, and we're usually pretty good, as new funds do them, at changing our trading attributes around going forward.

Section 26: Institutional Ownership Trends & Stats

[1:32:45]

We think it's really important to see 13F filers moving across these sectors, because they tend to press boards more, either in a structured, polite way or in an aggressive activist way. Looking at the highest levels: non-U.S. equity is again over its five-year average, but there's a bigger percentage increase for sectors like munis, at almost 30%, well over the historical five-year trend. And you can see BDCs have really been trending up since the discounts blew out, and we think that's important. I would love more 13F filers — more pension funds, endowments, and people who own lots of common stocks — to add BDCs to their target sleeve, because I think we'll continue to get better behavior from BDCs with more investors there voting proxies and being able and willing to communicate with management directly. State munis are usually smaller funds, so ownership is up, but not as much as for national funds, where there's more liquidity and it's easier to build those positions. I hope this gives you a sense of where the increases have been — not just recently, but historically as well.

This slide just lets you know which funds have higher ownership than average — in case you're curious about the exceptions to the rules. This one shows you where those investments are at a high level, with Morgan Stanley at the top. I'm not going to cover it because of time, but we are going to talk about those that are more actively involved and thoughtful.

Section 27: Activists & Recent Corporate Actions

[1:34:15]

The red ones are typically deemed activists or activist-adjacent. Karpus is less active, and SIT is less active as a 13D filer than Saba and Bulldog historically, though they have done those, but you also shouldn't ignore RiverNorth, City of London, Allspring, Lazard, and others in that space, looking at how they're situated in that basket. Looking back, 5% of funds — 21 funds — had 13D activity in a quarter; three times as much in a year; and almost double that in three years. If you think about it, 21 funds is a fair number of 13Ds, but it's not uncommon over time to have that many. That's what this data says to me. It's about \$13 billion of that huge amount, but it's the most important money moving, because we can track it, and then we can assess outcomes based on 13Ds and even 13Gs, and how we believe fund sponsors — based on conversations — deal with these investors and the outcomes that are possible.

Some of the updates: the 13D in September from Saba on BPRE is worth digging into more than I have time to cover here, but it's definitely a big deal for the size of the fund and for Saba's work, going after a portfolio that's highly illiquid. We also saw Saba going into TCPC, a BDC, which is an uncommon investment for them.

[1:36:11]

SIT went into MGF, and Saba is converting ASA into a BDC — that's their plan — and we're sad to see ASA leave its life as it was. We thought it was a great opportunity to get access to a good manager. It's an asset class I honestly probably only want to own one to two years out of 10, but we did put it in portfolios before interest rates spiked and had a relatively good outcome; it did way better than GDX, the larger-cap ETF comparison. And Saba has a proxy fight at DMB. There's more than that, but I try to highlight some of the trends. If you get our daily news alert service, you see all of those items the day they happen, which is useful.

What percentage of assets do these activists and followers own? It's \$23 billion, and BDCs and taxable bond funds are about half of that allocation. The largest bucket is the BDC side. It's a big bucket, so that makes sense versus the size of BDCs. There's more relative exposure to taxable bond funds and BDCs from a total asset perspective, but you can see it's pretty broad-based, though heavily focused on credit right now — taxable credit.

[1:37:32]

We reworked this slide so you can see where people have exposure, as a percentage. The top holder is Saba in U.S. stock, City of London in world stock, SIT for the preferred and several taxable sectors, and RiverNorth for BDCs — but that's partly because a lot of activists don't like to do BDCs. In BDCs you hear from Saba, RiverNorth, Bulldog, and a small allocation from Lazard. This hopefully gives you a sense of where these different investors, if you know them or track them, are actually putting their portfolios.

And this shows you the combined outflows and inflows. I need to fix this slide: real assets show a \$388 million increase. That's a huge increase, as high as last quarter's inflows into covered call, world stock, and hybrid/balanced funds. There were a lot of flows out of hybrid/balanced this quarter, and modestly out of BDCs — but not as much as we saw flowing into both of those sectors in the previous quarter. Basically, about \$1 billion net out across all sectors in the third quarter, versus a \$2 billion inflow in the second quarter, so we did see about a billion move out of our universe in the quarter. Generally speaking, I would expect that to go positive in the fourth quarter, during discount lows, tax-loss selling, and year-end volatility for closed-end funds. The biggest inflow in the third quarter was real assets, as we said, and the largest outflow was hybrid/balanced.

Section 28: Interval Funds & Tender Offer Funds (incl. PIMCO Premiums)

[1:38:30]

Now, because I know not every investor on this call uses non-listed funds — but they're really growing out there — this reminds me it's probably a good time to address PIMCO. If you've owned a PIMCO closed-end fund recently at a small premium and noticed it blow out, I did a podcast talking about how I thought it was primarily because PIMCO has active ETFs and interval funds, and you can recreate the NAVs across those structures and sell the premiums — while the hedging, swapping, and closed-end fund NAVs are usually more unique than the best you can do with ETFs and interval funds. That competitiveness of the structures was, I thought, the main reason.

I then had a fascinating conversation with another closed-end fund investor who asked me to review and confirm their research on the number of ATMs — at-the-market offerings — in PIMCO funds over roughly the last three years. I don't have it right in front of me, but it's billions of dollars. When you raise capital above NAV, it does create more positive NAV total return, but it does pull down on premiums. And as more intelligent investors notice aggressive use of ATMs — where fund sizes are going up 20%, 30%, 40%, 50% over time from the prior capital base or share count — in my opinion that's probably an even bigger pull on future premiums than the competition alone. There was an article in Barron's recently about how these funds have wide discounts relative to their own history. I think you need to understand ATM offerings, active ETFs, and interval funds before you expect any of those premiums to bounce back up. And it doesn't just apply to PIMCO funds, but they have the highest percentage of them. I know a lot of people always ask about PIMCO funds on this call, so I really hope this helps.

This slide helps you understand how the interval funds keep growing, how much in assets is there, and how long it takes from registration to basically the creation of the fund. It's not an IPO, but it's an inflow of assets, and it's getting down to reasonable levels for credit, while regular equity and the more complex strategies are sitting at seven and a half to 11 and a half months, because there's more time spent dealing with regulators and platforms as you craft the fund, get your seed capital lined up, and decide how you're going to live and compete. It's interesting — 179 interval funds is a lot versus where we were in 2018, when we started the database.

[1:41:56]

I do expect this number to double and triple over the next handful of years, as there's more growth and acceptance of them, more places these funds can live, and, I think, more

benefits to investors versus other non-daily-liquid structures. I know there's a question I want to answer after this, but I want to get through the slides first for those who care more about the slides than the questions.

This shows you the growth of assets across the three non-listed structures since we really focused our data business on them in 2015, when it was only \$50 billion. It hit \$100 billion in early 2021, \$200 billion during 2023, \$300 billion in 2024, and \$400 billion in 2025, and I would expect it to be \$500 billion by year-end, in my opinion. That's 9.6x growth — a 23% growth rate per year in these assets — which is awesome and important. You can't ignore these structures, even if you will never own them yourself.

On products: the market's getting healthier, so there are more new funds — the last three years, including this calendar year, have each had 30-plus interval funds — and a relatively low number of closures: three, four, five. There were more closures for the earlier, weaker batches between 2019 and 2023, mostly reacting to the challenges of COVID, though of course 2019 was pre-COVID. And for tender offer funds, again, better funds are being brought to market, with less need to close them because they're more properly built and capitalized to be successful, in our opinion. The tender offer funds here are non-BDC, just to separate those two different structures. You saw a huge loss of tender offer funds in 2020 versus huge growth in 2024, and still modest growth in 2025 and 2026. I really like this new slide; I hope you do too, for those of you who care about these structures.

This is the aggregate movement of all those funds for non-listed BDCs. On BDC growth, I think it's unlikely we get 15 new BDCs in 2026. It's been a much harder market, so it's been slower to bring product to market. But I do think we can expect five to 10 next year, in 2027, as there are still a lot of managers bringing product to market, converting private funds, and raising assets in this space. Since we started covering this data, we've lost 53 BDCs. The highest launch year was 31, in 2022, which was the peak of non-traded, non-listed BDC fundraising. 166 have launched, and 53 have gone away; a handful existed before this data, but very, very few.

I'm not going to cover this one deeply, because it's just a more granular analysis of the previous chart that we use for some of our consulting projects.

Now the sectors: the biggest sector is global credit for interval funds, and private equity and fund of funds for tender offer funds. I'm going to focus more on interval funds, because they're meant more for retail and advisor-directed assets, whereas tender offer funds are more for accredited investors and QPs — qualified purchasers. Looking at these funds and how they're growing, the equity bucket is growing nicely even though it's only five funds; there are some large funds there. I like the fleshing out over time. I'd like to see global credit and direct lending still grow in notional terms, but I'd also like to see the smaller buckets

keep growing — get 10-plus funds in every category, get \$15 billion to \$20 billion in each fund sector, and have some diversification and some options so competition can do its job in the U.S. markets. It's a similar but different story for tender offer funds, but those are usually for accredited investors or qualified purchasers.

This is where the sponsors are. Even with the tendering in some of these funds, there are still some large buckets at Cliffwater, StepStone, SilverBay Capital, Partners Group, and Carlyle — the top five by AUM. The top five by number of funds, going down the list: Hamilton Lane, iCapital — sorry, all the way up the list:

[1:46:19]

First Trust has the most funds in the non-listed structure, with a tiny amount of assets by comparison, but it's definitely a growing, broad-based platform by number of funds. Compare that with StepStone, where you've got six funds but four times the assets with a little less than a quarter of the number of funds.

Section 29: Q&A — Slides, Discounts & How Wide They Can Go

[1:46:40]

Usually this is when I go to the questions. There's a question from Neil: yes, the slides are available. They will be posted to cefddata.com/quarterly by Friday afternoon. If you registered — whether you saw this live or will watch the replay — you will get access to the slides in an email. If you registered and didn't show up, you'll get access to that, as well as to the article and transcript. I guess I enjoy being accountable, and I'm comfortable with what I say publicly.

Apologies — I went to the other screen. Yes, this is just the disclosures. Thank you. I'm going to go to the questions now. Looking at the time, it's not the worst I've done, and not the best I've done. I only saw one live question, from Neil — thank you, Neil. I have about 10 or 12 questions I plan to get to, but I'll keep an eye on any others as they come in.

Question one is about discounts: why are discounts widening across the board — is it repricing or a buying opportunity? This came from Jim, who talked about PIMCO and BTZ near their COVID lows, and we had about seven people in six different states asking a similar question. I think discounts are widening because of interest rates, and because we're later in a cycle and people are worried about when things turn. I believe this year will be a positive double-digit year for U.S. stocks, but that's an educated guess. It's been a very uncommon time. I think I heard on Chuck Jaffe's Money Life podcast, from one of his guests, that in the last 125 years the stock market has only had four back-to-back double-

digit years three times, and it looks like this will be one of those. Does that mean it can't go up next year? No. It just makes the math harder. We didn't cover this, but you need P/E ratios to stay generally around 18 to 19 to keep that stock performance and earnings growth going. Right now, we're thinking earnings growth will be more mid-single digits, based on our research and our guess. But if you're in the camp that thinks earnings growth will be 8% to 12% for the next three years, then yes, you could see this happen. But of course, we haven't had a recession in a while, and we will eventually have one, and stock prices will eventually have a tougher year than we've seen since 2022 — maybe not as tough as that year — and I'd like to think we're prepared for it by being diversified and thoughtful.

Another question on discounts: how far could discounts widen in this rate environment, and what does history show after past widenings? I think I covered this, but I'm going to hit the nail on the head: they can always go wider than you expect. We've been surprised by markets regularly in my 25 years, and occasionally in my father's 50 years. But once discounts get aggressively wide — and we measure both discount levels and RSI levels, the relative strength index, which is relatively new to our analysis; we were using it more for BDCs and added closed-end funds in the last year or so — it means that, from where we are today, we should be better off in the future. I just can't tell you when, as I told you earlier, and it could be wider for longer than I'd prefer.

But here's the cool thing: you can partially risk-manage through sector, structure, and your own cash flow needs. If you want less volatility, you should buy ETFs or interval funds. But if you can't handle illiquidity, you shouldn't buy interval funds.

[1:50:25]

If you're trying to find some of that exposure in things like interval funds, they're not the same overlap. Closed-end funds offer a lot of areas you can't get easily, with choices and that discount opportunity — there's usually a tailwind versus ETFs. Even though we now cover almost 400 ETFs at CEF Data — and I'm pretty sure that in the first half of 2027 that number will be over 500 — my plan is never to cover everything. But just like we're adding interval fund, tender offer fund, and non-traded BDC profile pages and screeners to the website in the next month or so, we'll eventually be adding London closed-end funds and our select ETF database to the screeners and profile pages. The reason we're doing that is there are more useful funds there, and for me and our team to do the work we've done historically, I've always felt I need the funds in my database. When I write a proposal or do a client review, the data is in my system, so I can look at it the way I want to. As a closed-end fund investor, I found that none of the other systems I've looked at were useful in addressing the things I care about when analyzing a fund or a portfolio of funds in a way that's useful for me and our clients.

Section 30: Q&A – U.S. Equity CEFs, Rates & Leverage

[1:51:30]

Another good question — let's see: my one-to-two-year outlook. I think we've covered that a little bit, but you meant for closed-end funds: are they still good investments? Specifically, U.S. equity closed-end funds in the fourth quarter, with competition from option-income ETFs. This was asked by Randy in South Carolina, Rick in Texas, Leonard in Chicago, Sandra in New York, and Jeff in Florida. They're great investments, but I think you need to be comfortable with volatility — not as much with NAV volatility, because you'll get similar levels in other structures, which would be a similar analysis for you, but knowing that discount volatility can surprise even experienced investors occasionally. At this level of discounts, I think the tailwinds are far in your favor. And if you don't have to be as active as we can be with our clients in making changes to your portfolio, you can be reactive based on headlines or certain moves and alert systems you can set up in different places. But yes, I think it's an amazing time. I think this audience should appreciate that I'm pro-closed-end fund, so we tend to address their risks while also being very comfortable with the structure.

Question three: how do rates and Fed policy affect levered closed-end funds and BDCs, and how did closed-end funds do in past cutting cycles? That was asked by Arthur in New York City, Vivian in Florida, Bruce in Wilmington, North Carolina — great city; we were there with my family last summer on a holiday break from the beach — Joel from Texas, Thomas from Michigan, and Jacob from Denmark. I actually know Jacob; there are only a few Denmark folks on this call.

I would say the amount of leverage used, notional and type, will determine the tailwind or headwind from leverage. It's nothing like what we saw in 2022 — it's generally benign with a steep yield curve for closed-end funds right now. The leverage answer, to me, is broadly positive for closed-end funds with a 25 to 50 basis point increase or decrease, at least for the leverage piece — durable, positive, and useful for the investment thesis. Now, you must also look at how interest rates affect asset pricing, or the net asset value, of these funds, which is why I gave you the color earlier on munis. Preferreds have roughly half as much rate volatility, and they're actually relatively aggressively priced now, which is one reason we like them. We also put those in IRAs for clients who don't have taxable assets with us. When rates go down, the bonds — the fixed-coupon bonds — do well. It will be less positive for senior loan funds and BDCs.

[1:54:31]

But the good news is they're stupid wide historically. It's not like they're trading at the 90th percentile of their five-year discount range while interest rates are backing down and NII is coming down, which would make it more likely for discounts to widen faster. So even though the leverage environment is structurally positive, in my opinion, for most BDCs and senior loan funds, lower rates would be negative for the NII of those two sectors. But discounts are angry, and the good thing to me is that if rates stay higher, we're going to be getting those positives — and rates may even go higher than I expect. Those are places to offset preferred and muni risk, though they're very different sectors and taxed very differently at the portfolio level.

Section 31: Q&A — Leverage Analysis, Return of Capital & NAV Erosion

[1:55:15]

Another good question: how should investors analyze leverage risk — preferred shares versus borrowed capital? This is from Joseph, Zach, and Pierre, in Michigan, Michigan, and Florida. Do Joseph and Zach know each other in Michigan? Probably not — big state. As I said, you should dig into the leverage being used. You get detailed updates semiannually, and notional updates more commonly through press releases for BDCs than for closed-end funds — BDCs are much more active in giving us fresh leverage data — and that's very useful for investors. I'd say leverage analysis is probably a secondary or tertiary analysis, not primary, but it can help you whittle down a list of, let's say, 10 funds to maybe five if you're trying to pick certain funds for your portfolio.

Another good question: how do you tell good versus destructive return of capital, and how do you check it on CEF Data? Besides showing the high-level data in this quarterly deck, only paid data clients have access to our DRoC calculations. We have retail pricing and institutional pricing, if that's useful to you; we sell the data annually, quarterly, monthly, or weekly, and a few people choose our daily listed file. Beyond that, you can see return of capital broadly in our indices, and on the fund profile pages, for free, for listed funds.

What's important there is that it's hard to say destructive return of capital can ever be totally positive. But think about MLPs: they had such NAV volatility, such complex issues twice in 15 years, and such aggressive dividend cuts — the cuts we saw in 2015–2016 and after oil went negative — that it was just a tough experience, with a lot of anger and disdain for the closed-end fund wrapper around MLP investments. It's much more important to have an opinion on the MLP sector, on where distributions will go based on the underlying

portfolio holdings of funds in the sector, and on discount reversion to the mean, than to look just at DRoC or RoC for those funds.

For our taxable clients, we do analyze historical RoC over one, two, and three years, the rolling 90-day RoC, and one-year estimate trends as we make selections, to try to make clients' dividends as tax-advantaged as possible for their tax rates and goals. So it's a relatively complex answer. But I would say the important piece is that it's a useful tool. It gets a lot of press headlines, and a lot of Seeking Alpha headlines, but it's a secondary or tertiary analysis, not primary, because it's much more important to pick the sector, pick the discount, and pick the manager than to just analyze DRoC or RoC. The exception is if you're taxable in one of the higher tax brackets — you're going to really care about what the tax character of RoC is — but we don't know that perfectly until after the dividends are collected, which is why we do our best to manage and reduce the risk of any client having large unexpected taxes due, based on estimates we provide at their reviews with our firm.

Another good question: how do you spot NAV erosion, and should I keep funds with eroding NAVs? The answer is maybe. The question is: what is the NAV doing? Is it high beta or low beta? Is the expense ratio reasonable? Is it a sector you want to be in? And here's the key: if you're getting NAV erosion, are you getting a wide enough discount, and are you reinvesting enough of the yield to counteract that erosion?

[1:58:51]

There's not a simple formula for that, but if you compare the leverage-adjusted NAV yield to the expectations for the holdings, that's the closest base case, and if you layer in where you think inflation and interest rates are going, it gives you a great idea of what's happening next.

Section 32: Q&A — Munis, PIMCO, CLOs & Activism

[1:59:15]

Where is the value in munis after the recent repricing? I think I covered that with the discount slide, the leverage benefit, and the likelihood of cuts versus increases. And yet discounts have been tighter because of the overpayment, which also reminds me of the last question: you should generally be reinvesting about 25% of your muni bond distributions, unless you're screening for return of capital as part of your process, and then it's probably more like 5% to 10%.

I covered the PIMCO funds — I remembered to cover that — but we had four people ask about PIMCO funds. I did some work, so I'm glad I had this question before the call.

We're about to be done — just three more questions, if you're willing to hang on. CLOs and CLO equity price erosion, plus CLO exposure in BDCs: I covered it from our perspective with the indices, and why we're generally underweight CLOs. When we're in them, it's CLO debt, usually multi-manager. If we use CLO equity, it's for the clients we choose to, and right now less than a third of our clients have more than 2% exposure to CLO equity in a fund. We often use an interval fund for the non-AAA piece — an interval fund paired with an active ETF — to balance out that risk, bookended, in our experience, based on what we can do. I'm not comfortable locking up too much in an interval fund in CLOs, because it can be a volatile asset class, and you get less juice out of the AAA-rated ETF, but you still get asset-class exposure, and we blend to the notional value we want.

I then went to our BDC holdings database just before the session. 22% of listed BDCs — about 11 — own some CLO exposure. The weighted average across the holdings in our listed BDC database is under 2%; it's 7.3% on average if there's CLO exposure in the BDC, and 3.5% median. CLOs can only fill, at most, the 30% non-qualifying asset basket under BDC regulations, so you could see 30% in theory, but it's very uncommon to see it at that level, in my opinion. As I said, only one in five own some. That means four in five don't, and when they do, it's less than 10% of exposure for that 20% of the universe. So if you only own three BDCs and you happen to own the three most CLO-focused BDCs, it's important to your decision. But luckily, we show CLO exposure on the profile pages, and you can get to it from the quarterly presentations of BDCs as well.

State of activism: we covered it some last quarter. I do think it's going to be a relatively busy activist season next year. That's more of a second-quarter opportunity or situation, for funds to defend against and for activists to run campaigns. What happens between now and then will heavily govern that, in our opinion. Again, we had nine people ask about that.

They also asked why funds do tenders, rights offerings, and liquidations. Most funds don't liquidate by choice. Some will convert because they're sick of the closed-end fund structure or of dealing with activism. Tenders are generally negotiations, which can be benign for larger funds and destructive for smaller funds. You get alpha from them, so they're not bad to experience as an investor if you use them to your benefit. But they rarely cure discounts long term; they do provide a negotiating tool with activists, or an outcome for a standstill agreement, which is very common. Rights offerings — honestly, it's easier to do a rights offering than to raise a new closed-end fund right now. They're not bad for the sector in the long run, but they're just tough to own. Having a third of your positions go through rights offerings on a one-year basis — that's a very uncommon outcome.

[2:03:10]

FYI, if you've got 30 or 40 positions, it's possible to hit every rights offering. Unfortunately, in a given year, you can have your closed-end fund benefits taken away by rights offering detriments, and that's why we think about rights likelihood — unless you own 100-plus funds, which, again, is a little silly in my opinion, but I do see it regularly, and people seem comfortable with it. The cool thing about investing is that the way you invest is different from the way I invest, so it can be very important to analyze those outcomes.

Section 33: Q&A — Private Credit Liquidity & Interval Funds

[2:03:30]

A question about private credit. We covered it last quarter, but with 42% first-time attendees, I guarantee 42% of you did not hear it last time. With non-traded BDCs, tender offer funds, and interval funds, there are gates, and right now some have angrier headlines. I actually currently support sticking to 5% a quarter for an interval fund and not doing more. That's because, to me, the headlines are driving this, and sadly, I think some investors and advisors weren't as educated as they could have been. One thing I do: I serve on an IPA committee, and I'm trying to help with their relationships with asset managers, platforms, and custodians, trying to increase the places where education — things like we do at AICA, though other people do good education as well — gets into the hands of investors, because a well-educated investor will do far better.

But right now, that's actually a tailwind for listed BDCs, because if there's ever a forced need for a non-listed private BDC or interval fund to move assets off its books, the best buyers, in my opinion, are the stable share-count investors with lower leverage — the listed BDCs. Leverage is higher than three years ago, but as I told you, it's under half of what's possible, so almost every BDC has room to add portfolio assets if it chooses and if the price is right — which means new originations or picking up secondary loans. It's not historically as common for secondary loan sales to happen, but the headlines are aggressive enough and big enough that I do think we'll see more of that over the next three to six months for interval funds and non-traded BDCs.

There's a question from one of our clients that I'm not going to answer here — he's a smart guy who's been doing this a while — and I'll talk to him in person later.

Are interval funds delivering enough incremental return for the loss of liquidity, and is analysis standardization emerging? I would say the key there is: are we buying NAVs we can't find in other places, and are we sizing them properly in the portfolio so we don't

worry about liquidity? We generally size interval funds at 2% to 3%; 3% is aggressive and 2% is normal. The challenge is the ticket charges. In larger portfolios, those are neutralized, but in portfolios under a million dollars, they can actually stack up and hurt your performance if you're getting in and out over time in different sleeves. So you should understand where you invest and what the fixed ticket charges are at the custodian level to pay for the workload of dealing with pro-rated tenders.

Section 34: Closing Remarks

[2:06:00]

That's all the main questions I saw. I went over by a few minutes, which I'm sad to say is normal. Thank you so much for your time. I know it's been a long session. I hope you like the new slides; we'll keep growing the pieces and parts of CEF Data. Good luck this quarter. Be well. I hope we have great questions and great outcomes to discuss about 90 days from now. The replay of this session will be on our website by Monday, and you'll find lots of places to register for future sessions over time. I appreciate everything you've done — without you asking questions and being here, there's no reason for me to talk. I appreciate you all. Be well.

– *Transcribed by Otter.ai; edited by Perplexity Computer for accuracy and readability.*

About CEF Advisors

CEF Advisors (Closed-End Fund Advisors, Inc.) is an SEC-registered, fee-based investment advisory firm founded in 1989 and headquartered in Richmond, Virginia. With over 37 years in the space, the firm is one of the longest-tenured specialists in closed-end funds (CEFs), business development companies (BDCs), interval funds, and tender-offer funds in the United States.

John Cole Scott is President and Chief Investment Officer of CEF Advisors, a second-generation leader who has spent his career focused exclusively on the CEF, BDC, and interval fund universe. He is also the founder of CEFDData.com, the firm's proprietary data and research platform, and founder and Executive Chairman of the Active Investment Company Alliance (AICA), an industry trade group supporting the CEF, BDC, and interval fund ecosystem.

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