

## Bulldog CEF Update- Exploiting Visible Alpha Opportunities

For Q4,2023 the SMA Composite returned 5.68% vs. 11.69% for the S&P 500 index. For the full year 2023, the SMA Composite returned 18.3% vs. 26.29% for the S&P 500 index. Since its inception on July 1, 2021, the composite has returned 6.4% vs. 5.93% for the S&P 500 index (see Table 1).

Bulldog CEF SMA Composite Performance				
As of 12/31/2023				
	3 - Month	YTD	1 - Year	Since Inception (Annualized)
CEF Strategy	5.68	18.30	18.30	6.40
S&P 500	11.69	26.29	26.29	5.93

Table 1. Bulldog CEF Composite Performance. Strategy Inception: 7/1/2021: See below for disclaimers.

Our asset allocation continues to be de-indexed and opportunistic, attracted to those sectors that offer funds with the widest market price discounts to Net Asset Value (“NAV”) and the highest possibilities for discount narrowing. A sample asset allocation of a separately managed account is below, along with discounts and yields (see Chart 1, and Table 2).

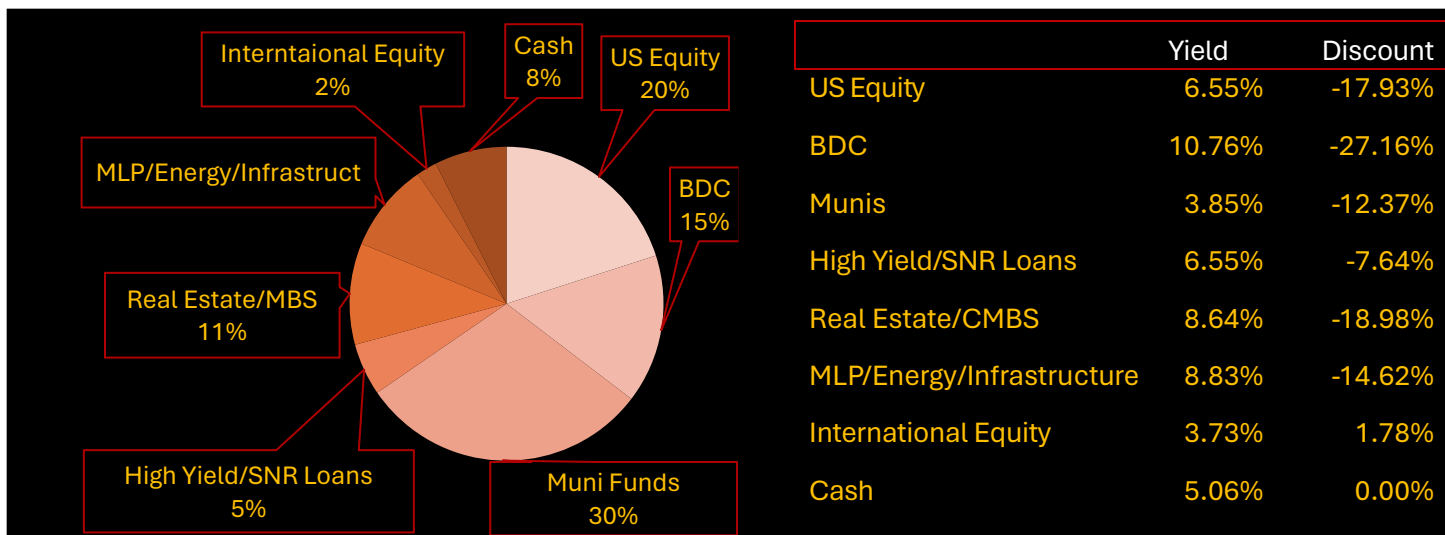


Chart 1. Sample Asset Allocation as of 2/12/2024\*

Table 2. Average Weighted Yield and Discount as of 2/12/2024\*

### Results of Recent Bulldog Shareholder Efforts:

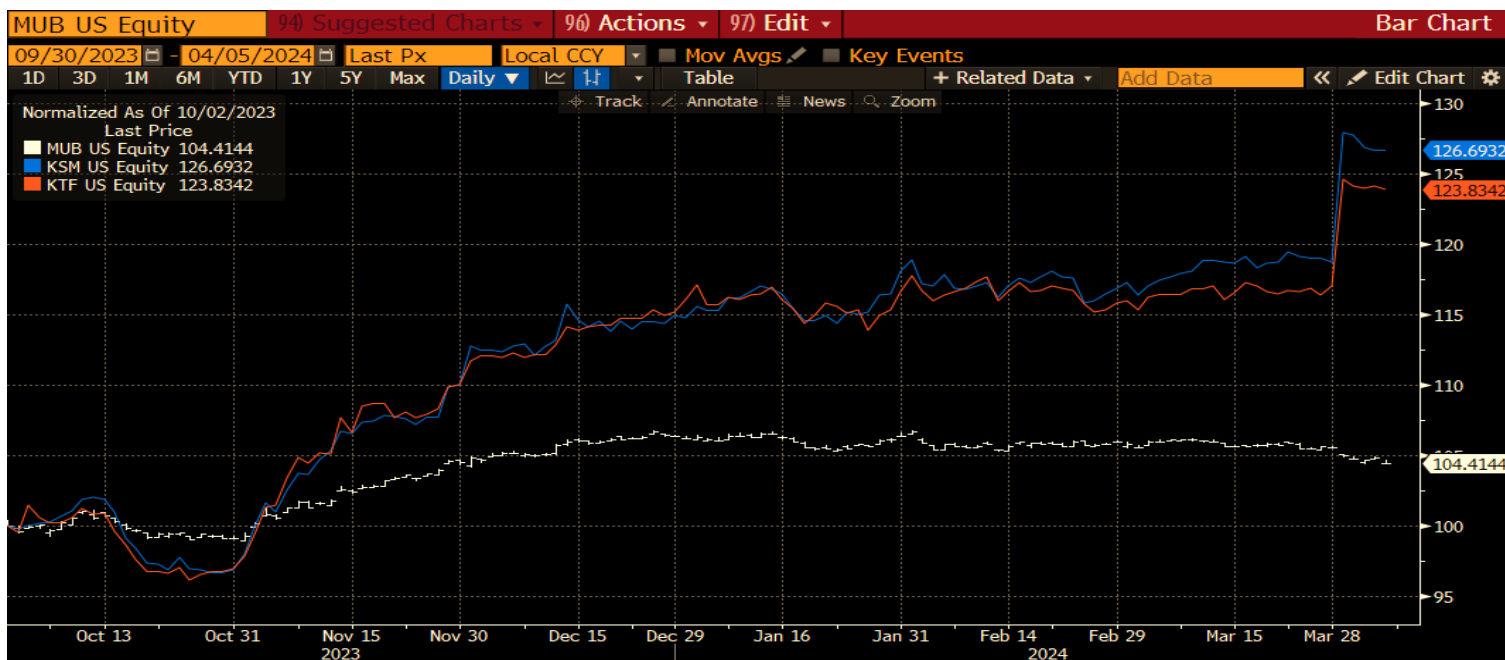
Our last letter (Q3 2023 Update) promised lots of action on the activism front, and we have delivered! Results from our recent efforts are summarized below-

**DWS Muni Funds-** On March 19, 2024, Bulldog reported a 6.6% ownership position in **DWS Municipal Income Trust (“KTF”)**. Prior to filing its 13D, Bulldog submitted a shareholder proposal requesting the Board of Trustees authorize a self-tender offer for at least 50% of the Fund’s common shares. In its supporting statement Bulldog pointed to KTF’s long-term under performance: a 10-year annualized market price return of 1.98% vs. 3.78% for Morningstar’s Closed-End Municipal National Long Funds Category. Bulldog also pointed out that the market price discount to NAV of 14% was the eighth widest discount out of seventy-two closed end national municipal bond funds. Bulldog also has ownership of over 6% of the outstanding shares of **DWS Strategic Municipal Income Trust (“KSM”)**, a sister fund.

After consultation with at least one large institutional shareholder, DWS made several announcements positively affecting the two Funds’ discounts to NAV. Regarding KTF, the Board of Trustees approved the termination of the Fund, pursuant to which the Fund will make a liquidating distribution to shareholders no later than November 30, 2026. The Fund also announced that it was increasing its monthly distribution rate to an annualized rate of at least 7% based on KTF’s NAV per share, from the current rate of about 4%. KTF’s discount to NAV has narrowed to 6% in April 2024, from 17% in September 2023.

Regarding KSM, the Board of Trustees approved the liquidation of the Fund, pursuant to which a liquidating distribution will be made no later than November 30, 2024. KSM's discount to NAV has narrowed to the 4% level in April 2024, from over 16% in September 2023.

The chart below shows the normalized market price returns from 9/30/23 to 4/5/24 on KSM and KTF vs. the iShares National Muni Bond ETF, the largest municipal bond exchange traded fund. (Chart 2 below | Source: Bloomberg)



**MFS Funds** - We have had excellent success over the past 12 months on our muni-bond fund activism. Closed-end fund activism is the sole avenue for a shareholder activist strategy in the municipal bond space and as Chart 2 depicts, the results can be quite compelling, generating substantial alpha over the underlying asset class and benchmark. In addition to DWS, Bulldog was also successful on 2 MFS Muni CEFs. Both **MFS High Yield Municipal Trust ("CMU")** and **MFS Investment Grade Municipal Trust ("CXH")** conducted self-tender offers last year. In addition, pursuant to an agreement between the Funds and Bulldog Investors, the Board agreed to propose that shareholders approve a liquidity event at the Funds' 2025 annual meeting, unless the average trading discount of the Funds' shares is equal to or less than 7.5% for the entirety of any consecutive 30-day calendar period between the expiration of the tender offer and July 15, 2025.

**BNY Mellon** - We expect to continue to be active in the muni space as discounts remain elevated. Of the 662 CEFs currently trading domestically, with \$288 billion in net assets, 123 are municipal bond funds managing about \$56 billion in net assets (see Table 3). To that end, Bulldog Investors recently filed a 13D and reported an 8% ownership position in **BNY Mellon Municipal Income Fund, Inc. ("DMF")**. Bulldog also gave notice of its intent to nominate two candidates to the Board and to submit a shareholder proposal to allow stockholders to monetize their shares at a price close to NAV. The 10-year average discount on DMF is approximately 6.5%. In Q4 2023, the discount hit 17%.

Classification	# of Funds	Total Net Assets (mill)
General & Insured Leveraged	57	\$ 36,155.20
CA Muni Debt	14	\$ 6,023.40
High Yield Muni	23	\$ 5,040.40
NY Muni	12	\$ 3,398.30
NJ Muni	2	\$ 1,268.80
General & Insured Unleveraged	3	\$ 1,102.80
Intermediate Muni	2	\$ 1,081.60
Other State Muni	7	\$ 987.70
PA Muni	3	\$ 953.30
<b>TOTAL</b>	<b>123</b>	<b>\$ 56,011.50</b>

Table 3: Municipal Bond Breakdown (Source: CEFA)

Since filing our 13D the discount has narrowed to 11.5%. Given DMF's large base of institutional shareholders, we are confident of a good result.

**Zweig Total Return Fund ("ZTR"):** On December 5, 2023 Bulldog Investors submitted a shareholder proposal for submission at the next annual meeting of shareholders of Virtus Total Return Fund Inc. ("ZTR"). In its shareholder proposal, Bulldog urged the Board to consider a tender offer if the share price discount to NAV remained unacceptably wide. Bulldog also highlighted the Fund's poor long-term performance, the completion of a dilutive rights offering that caused the share price to move from a premium to a discount, and a reduction in the Fund's monthly dividend. ZTR shares traded at over a 17% discount to NAV in October 2023, and closed 2023 at a 14% discount to NAV.

In response to the shareholder proposal, the Board has announced the following tender offer program-

- a) A 10% tender offer at 98% of NAV that commenced on April 2, 2024; and
- b) Two additional conditional tender offers if ZTR shares continue to trade above certain discount thresholds.

The discount has currently narrowed to about the 10% level, and we figure it should continue to narrow further.

### **Bill Ackman Goes Retail:**

With his offshore listed vehicle, **Pershing Square Holdings LTD ("PSH")**, trading at an average market price discount to NAV of 35% for 2023, and thus essentially a) shutting the door to fund raising and b) leaving the permanent capital vehicle vulnerable to raiders, Bill Ackman is turning his sights to the US retail investor. Initially, the intent was to list PSH in the US, but this strategy proved not to be viable for a number of reasons. His investment firm, Pershing Square Capital Management, thus plans to start a new fund called **Pershing Square USA ("PSUS")** with a goal of raising \$10 billion-double the size of the current largest US closed-end fund, the \$5 billion **Pimco Dynamic Income Fund ("PDL")**. This could be a shot in the arm for the moribund \$300 billion CEF sector which saw no IPOs in 2023 (not surprising, given the historically wide discount levels on CEFs).

PSUS will charge a 2% management fee, which will be waived for the first year. The current 25% discount on PSH (the discount has narrowed in 2024), would typically give investors pause from investing in a new vehicle at NAV, but PSH is not easily accessible for US retail investors.

CEF observers in the past have attributed PSH's discount to NAV to the high fee structure (1.5% management fee and a 16% performance fee) and a fee sharing arrangement between the London listed vehicle and the new US Fund aims to address that. Ackman intends to credit 20% of PSUS management fee against the PSH performance fee. Matt Levine, in his regular Bloomberg column, illustrates the fee reduction feature as follows – *"if PSUS raises \$10 billion it will get paid \$200 million a year in management fees (after the first year), which will reduce PSH performance fee by \$40 million. Assuming PSH generates 15% gross returns, the fee offset from the new fund alone will reduce PSH's performance fee percentage from 16% to 13.5%."*

Would that be enough to narrow the discount on the offshore vehicle? In a recent interview, Bill Ackman revealed in 2017 Elliot Investment Management targeted PSH. Elliot acquired a large position in PSH, while shorting the underlying securities in the Fund. Ackman managed to fend off Elliot by borrowing \$300 million from JP Morgan Chase & Co., and then using that cash to buy shares in his own Fund. "I envisioned an end where the permanent capital vehicle ends up getting liquidated and another activist in my industry puts me out of business," Bill Ackman said.

### **Looking Ahead:**

Prevailing and persistently wide discounts, coupled with a challenging macro environment for fixed income investors are turning passive CEF Investors to shareholder activism. Bloomberg reports that Karpus Management Inc., a Rochester, NY asset manager with \$3.7 billion of assets under management, has launched activist campaigns on 4 CEFs (see Table 4). Bloomberg quotes Karpus Chief Investment Officer, Dan Lippincott, in calling the level of discounts "unprecedented."

Ticker	Fund Name	Discount as of 4/8/24
MUI	BlackRock Municipal Income Fund	10%
NRK	Nuveen NY AMT-Free Quality Muni Income Fund	9.48%
NEA	Nuveen AMT-Free Quality Muni Income Fund	13.23%
EIM	Eaton Vance Municipal Bond Fund	10.03%

Table 4. Karpus Activist Targets (Source: Bloomberg)

As we approach peak proxy season, we expect to see heightened levels of shareholder activism continuing. **Principal Real Estate Income Fund (“PGZ”)** has its annual shareholder meeting scheduled for later this month. As you may recall from my previous notes, Bulldog had nominated an individual to the Fund’s Board. We will provide further updates on this fight in our next report.

Stay tuned.

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**Bulldog Investors**

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Disclosures:

**Table 1 Disclosure:**

The composite consists of SMAs that participate in Bulldog Investors’ Closed End Fund (CEF) Strategy. The investment objective of SMAs participating in the CEF Strategy is to invest in registered, closed-end investment companies, including business development companies (BDCs), trading at a discount to their reported net asset values (NAVs), in order to (1) earn incremental yield and (2) benefit from price appreciation due to discount narrowing. SMAs participating in the CEF Strategy generally maintain a concentrated portfolio of between 5 and 12 such securities that have: (1) a high probability of being a target of activist shareholders seeking to narrow the discount to NAV, (2) embedded features that will narrow the discount to NAV (such as those features found in Term Trusts), and (3) discounted shorter-term opportunities arising from rights offerings, open-endings, or liquidations. Portfolios of SMAs participating in the CEF Strategy may and will differ from those of other SMAs participating in such strategy.

This performance information has been calculated by SS&C Technologies. It is not intended to suggest that the performance of every SMA in Bulldog Investors’ Closed-End Fund Strategy will achieve the same or similar results. Different types of investments involve varying degrees of risk, including the loss of money invested. Therefore, it should not be assumed that the performance of any specific investment or investment strategy will be profitable or be suitable for your account and may, in fact, result in a loss. Results for SMAs managed by Bulldog Investors are varied and will vary in the future.

**Chart 1 and Table 2 Disclosure:**

The Asset Allocation presented in Chart 1 consists of all assets in a selected account managed by Bulldog as of February 12, 2024. Such an account has been participating in Bulldog’s Closed-End Fund Strategy since strategy inception, and as of February 9, 2024, was valued at approximately \$1.8 million. Bulldog Investors considers the allocation in such an account to generally represent the target allocation of accounts participating in a strategy.