

Quarterly market review

This commentary provides an in-depth look at trends across the closed-end fund (CEF) market during the quarter. Inside you'll find detailed commentary and analysis for key segments within the equity, hybrid, taxable credit, national municipal and state municipal industry categories, including:

- *Performance*
- *Distributions*
- *Premiums/discounts*

HIGHLIGHTS

- **Most equity, hybrid and taxable credit CEF segments delivered positive NAV total returns for the third quarter.**
- **National and state municipal CEFs continued to have the widest discounts of all CEF categories.**
- **Distribution stability increased overall, with 80% or more of funds in each CEF category maintaining their distribution levels.**



Mike Taggart, CFA

*Vice president,
head of closed-end fund research*

PERFORMANCE TRENDS

- Most equity and hybrid segments delivered positive NAV total returns during the third quarter, riding the tailwinds of underlying markets.
- Most taxable credit segments also had positive quarterly NAV total returns. However, in about half of the segments, distributions accounted for the gains as NAVs declined; in the other half, NAVs marginally increased.
- Every municipal segment had a negative quarterly NAV total return. NAV declines in every segment more than offset the positive contribution from distributions.
- Year-to-date category performance ranks lined up exactly as they did last year. Only the municipal categories had negative year-to-date NAV total returns at quarter's end.

Industry total returns (NAV)¹

By asset class / selected segments

	3 Month	YTD	1 Year	3 Year	5 Year
■ EQUITY	3.14%	2.42%	5.32%	9.28%	4.92%
MLP (C-corp) Sector	6.70%	6.21%	7.28%	4.91%	-3.14%
Covered Call, U.S. Equity	6.21%	8.13%	12.62%	12.84%	10.48%
Real Estate Sector	0.84%	-0.17%	2.20%	7.63%	8.57%
■ HYBRID	3.23%	2.55%	5.86%	10.44%	7.47%
Global Equity-Heavy Hybrid	4.52%	4.19%	8.66%	10.18%	7.50%
Real Asset Hybrid	2.83%	2.49%	4.56%	9.89%	6.97%
■ TAXABLE CREDIT	1.75%	1.65%	2.70%	7.29%	5.63%
Senior Loans	2.37%	5.00%	6.20%	7.06%	5.19%
Global Corp Bond HY	2.16%	2.80%	3.57%	8.68%	5.26%
Emerging Markets Debt	0.49%	-9.35%	-8.77%	6.16%	0.69%
■ NATIONAL MUNICIPAL	-0.40%	-0.52%	0.47%	3.32%	6.08%
Intermediate Duration	0.07%	0.23%	0.58%	2.37%	4.26%
Investment Grade	-0.58%	-0.90%	0.14%	3.19%	6.14%
■ STATE MUNICIPAL	-0.73%	-1.36%	-0.47%	2.61%	5.36%
CA Muni	-0.74%	-1.23%	-0.17%	2.73%	5.72%
NY Muni	-0.58%	-1.20%	-0.65%	2.59%	5.33%

Industry YTD & calendar year total returns (NAV)

YTD	2017	2016	2015	2014	2013
2.5%	16.5%	13.0%	5.1%	18.8%	19.4%
2.4%	14.7%	12.3%	5.1%	17.1%	18.6%
1.7%	10.0%	10.8%	-2.9%	8.0%	5.5%
-0.5%	7.7%	0.0%	-5.3%	6.2%	-6.5%
-1.4%	6.7%	-0.2%	-11.6%	5.5%	-6.7%

Unless otherwise noted, all data is from Morningstar as of 30 Sep 2018. To learn more about how groups and segments are calculated, read the methodology on page 8. All references to key segments are those segments in which Nuveen has a fund.

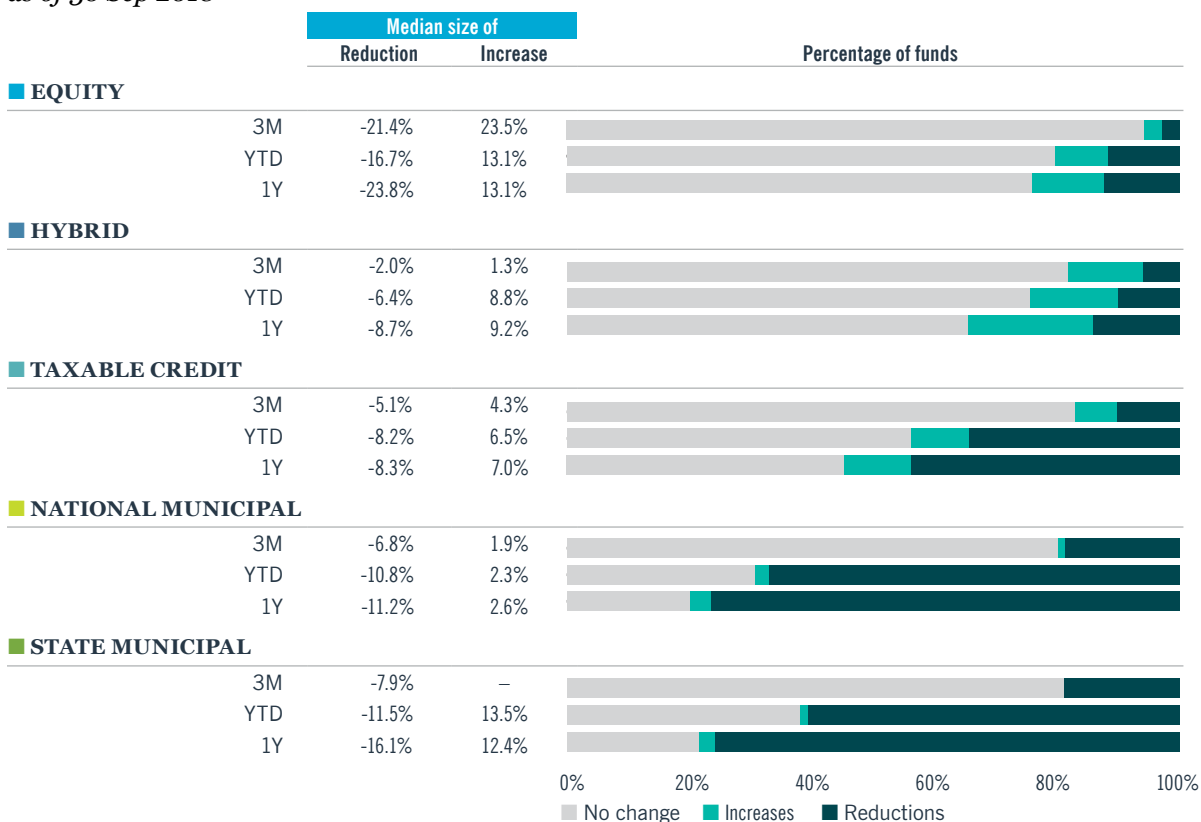
1. Returns are annualized for periods longer than one year.

DISTRIBUTION TRENDS

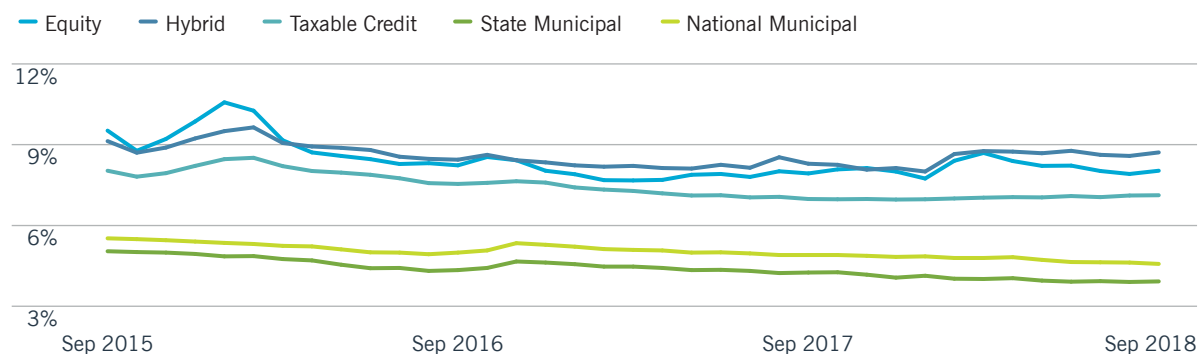
- Overall, distribution stability increased during the quarter, with 80% or more of funds in each category maintaining their distribution amounts.
- Equity funds announcing distribution increases matched those announcing decreases, and the median amounts of each were nearly equal. More hybrid funds announced distribution increases than decreases in the quarter.
- Municipal fund distributions revealed underlying signs of continued weakness, with nearly 20% of both national and state municipal funds reducing their distributions by approximately 7%.
- Distribution rates remained steady for taxable credit and state municipal funds but declined for equity, hybrid and national municipal funds.

Distribution changes

as of 30 Sep 2018



Distribution rates on NAV



Yield trends

- 14 of the 23 key segments offered higher market yields at the end of the quarter than at the beginning, primarily due to share price declines and secondarily because of distribution reductions.
- Six of the 10 highest-yielding fund segments were municipal segments on a taxable-equivalent basis.

Market yields²

By key segment as of 30 Sep 2018

		Distribution rate at price / taxable equivalent	Change from previous quarter
Emerging Markets Debt		9.94%	(0.07%)
MLP (C-corp) Sector		9.90%	(-0.35%)
NJ Muni		4.96% / 9.88%	(0.11%)
CA Muni		4.40% / 9.59%	(0.07%)
Global Balanced Hybrid		9.25%	(0.17%)
Beyond Inv Grade Muni		5.32% / 8.99%	(-0.02%)
Global Equity-Heavy Hybrid		8.98%	(-0.23%)
Investment Grade Muni		5.28% / 8.92%	(0.07%)
NY Muni		4.32% / 8.58%	(0.00%)
PA Muni		4.80% / 8.56%	(0.03%)
Real Estate Sector		8.51%	(0.19%)
AMT Aware Muni		4.81% / 8.12%	(-0.01%)
U.S. Large Cap		7.89%	(-0.29%)
Real Asset Hybrid		7.82%	(-0.15%)
Other State Muni		4.20% / 7.79%	(0.06%)
Global MultiSector HY		7.75%	(0.01%)
Preferreds		7.52%	(0.11%)
Covered Call, U.S. Equity		7.50%	(-0.22%)
Mortgages		7.26%	(0.08%)
Global Corp Bond HY		7.17%	(-0.05%)
Taxable Muni		6.31%	(0.16%)
Senior Loans		6.25%	(0.12%)
Intermediate Duration Muni		3.36% / 5.68%	(0.00%)

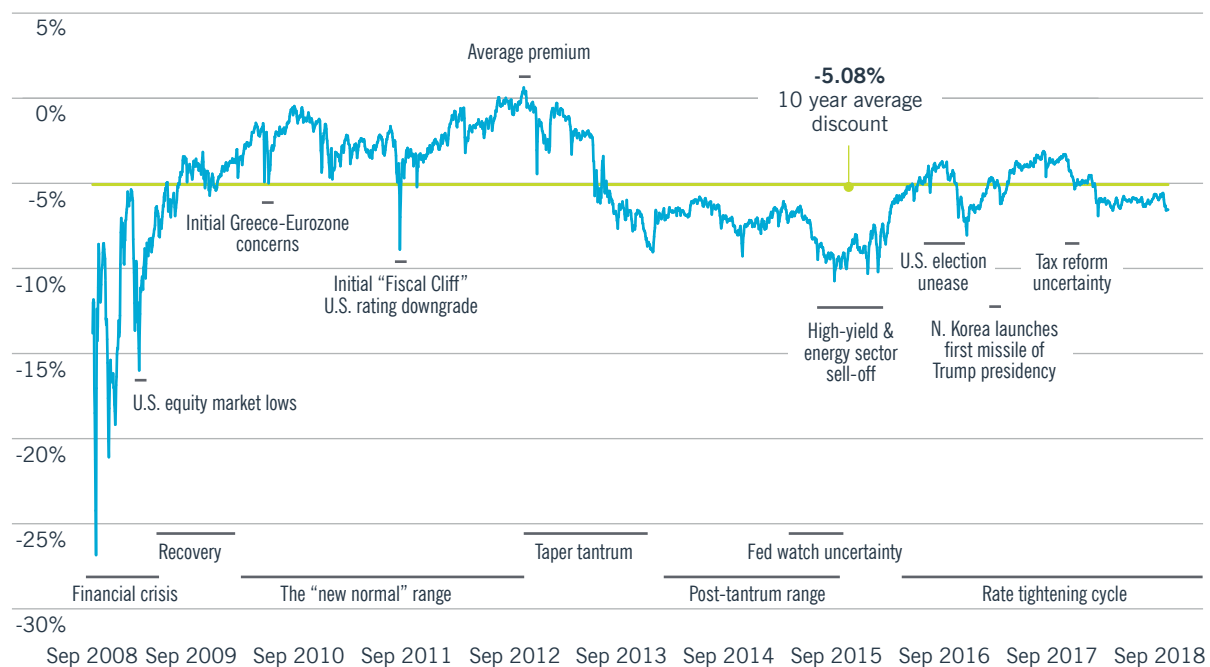
² Yield refers to distribution rate at price. Taxable equivalents are also shown for tax-exempt municipal bond funds (light blue bar), and assume the highest marginal tax rate (federal and state) plus the Medicare tax. The Tax Cuts and Jobs Act of 2017 doubles the standard deduction and implements a limit for itemizing state and local income taxes, state and local property taxes, and sales taxes on 2018 tax filings. Since it is expected that fewer investors will deduct state income taxes for federal filing purposes, the data shown above does not contemplate a federal benefit for state taxes paid, and the effective tax rate therefore represents the applicable federal income tax rate plus the applicable state income tax rate. If you itemize your deductions and have not exceeded your cap on deducting state taxes, your taxable equivalent yield will generally be lower than the rate calculated above. Distribution rate at price represents the latest declared regular distribution, annualized, relative to the most recent market price. Special distributions, including special capital gains distributions, are not included in the calculation.

VALUATION TRENDS

- The average CEF discount remained seemingly anchored to its 10-year average discount through most of the third quarter before widening slightly in September.
- Overall discounts widened 65 basis points to -6.55% over the past three months.
- During the quarter, discounts continued to display low volatility, and from their narrowest -5.57% on September 12th to their widest -6.59% on September 21st, varied by a range of just 102 basis points.
- This big picture view of discounts obscures differences among the various categories and their segments.

Historical premium/discount levels³

Sep 2008 - Sep 2018



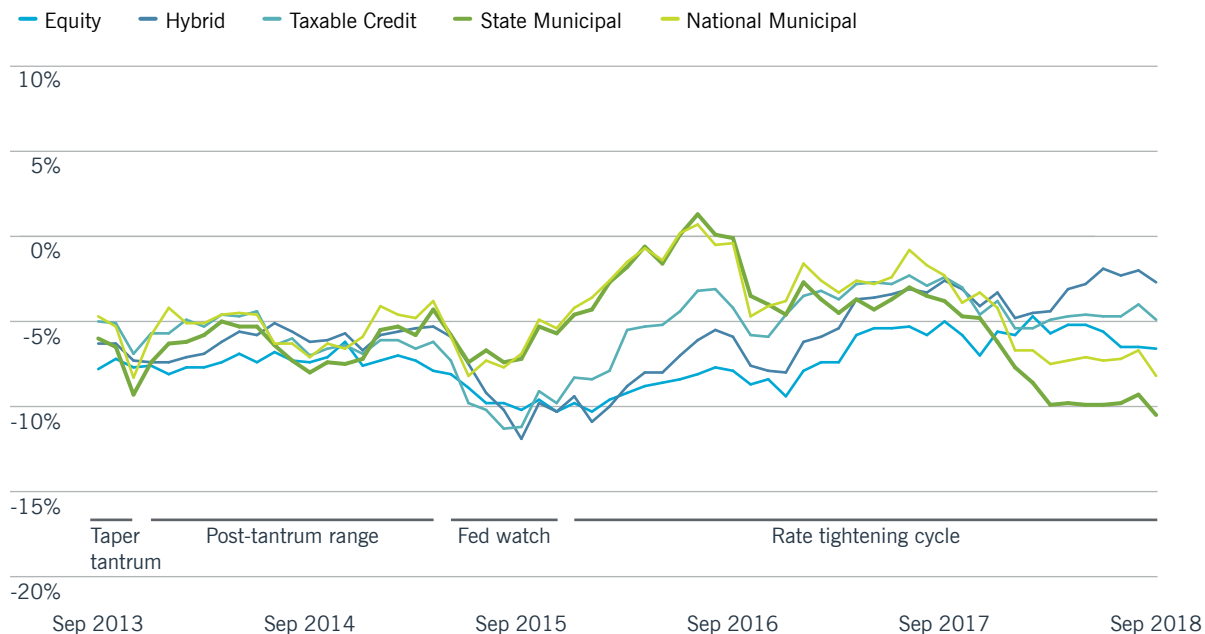
³ Represents the daily average for all CEFs in existence at the time.

VALUATION TRENDS CONT'D

- Discounts widened for all five CEF categories in the quarter. As was the case on June 30th, only hybrid CEFs were trading above their 52-week median discount, though they retreated from being in their top decile.
- Equity and hybrid funds continued to trade above the other categories, pulling the average discount for all CEFs narrower.
- Except for taxable credit funds, which saw widening discounts throughout the quarter, the other four categories displayed a noticeable downward shift in September. The timing is likely due to the increase in the Federal funds rate, which lifted short-term interest rates above the inflation rate and which has continued to roil markets at the start the fourth quarter.
- National and state municipal CEFs continued to have the widest discounts of all categories, with state municipals averaging a double-digit discount. Both categories' discounts remained in the bottom decile of their 52-week ranges.

Historical premium/discount levels by category

Sep 2013 – Sep 2018



	Latest discount ⁴	QoQ change	Low	52-week average Current & decile range	High	1 year Z-score
EQUITY	-6.64%	-1.02%	-7.47%	<div style="width: 100%; border: 1px solid black; background: repeating-linear-gradient(90deg, transparent, transparent 1px, #ccc 1px, #ccc 2px);"></div>	-4.74%	-0.26
HYBRID	-2.67%	-0.79%	-5.90%	<div style="width: 100%; border: 1px solid black; background: repeating-linear-gradient(90deg, transparent, transparent 1px, #ccc 1px, #ccc 2px);"></div>	-0.90%	0.15
TAXABLE CREDIT	-4.87%	-0.22%	-6.51%	<div style="width: 100%; border: 1px solid black; background: repeating-linear-gradient(90deg, transparent, transparent 1px, #ccc 1px, #ccc 2px);"></div>	-2.15%	-0.41
NATIONAL MUNICIPAL	-8.15%	-0.80%	-8.33%	<div style="width: 100%; border: 1px solid black; background: repeating-linear-gradient(90deg, transparent, transparent 1px, #ccc 1px, #ccc 2px);"></div>	-2.03%	-0.92
STATE MUNICIPAL	-10.47%	-0.62%	-10.57%	<div style="width: 100%; border: 1px solid black; background: repeating-linear-gradient(90deg, transparent, transparent 1px, #ccc 1px, #ccc 2px);"></div>	-3.57%	-0.78

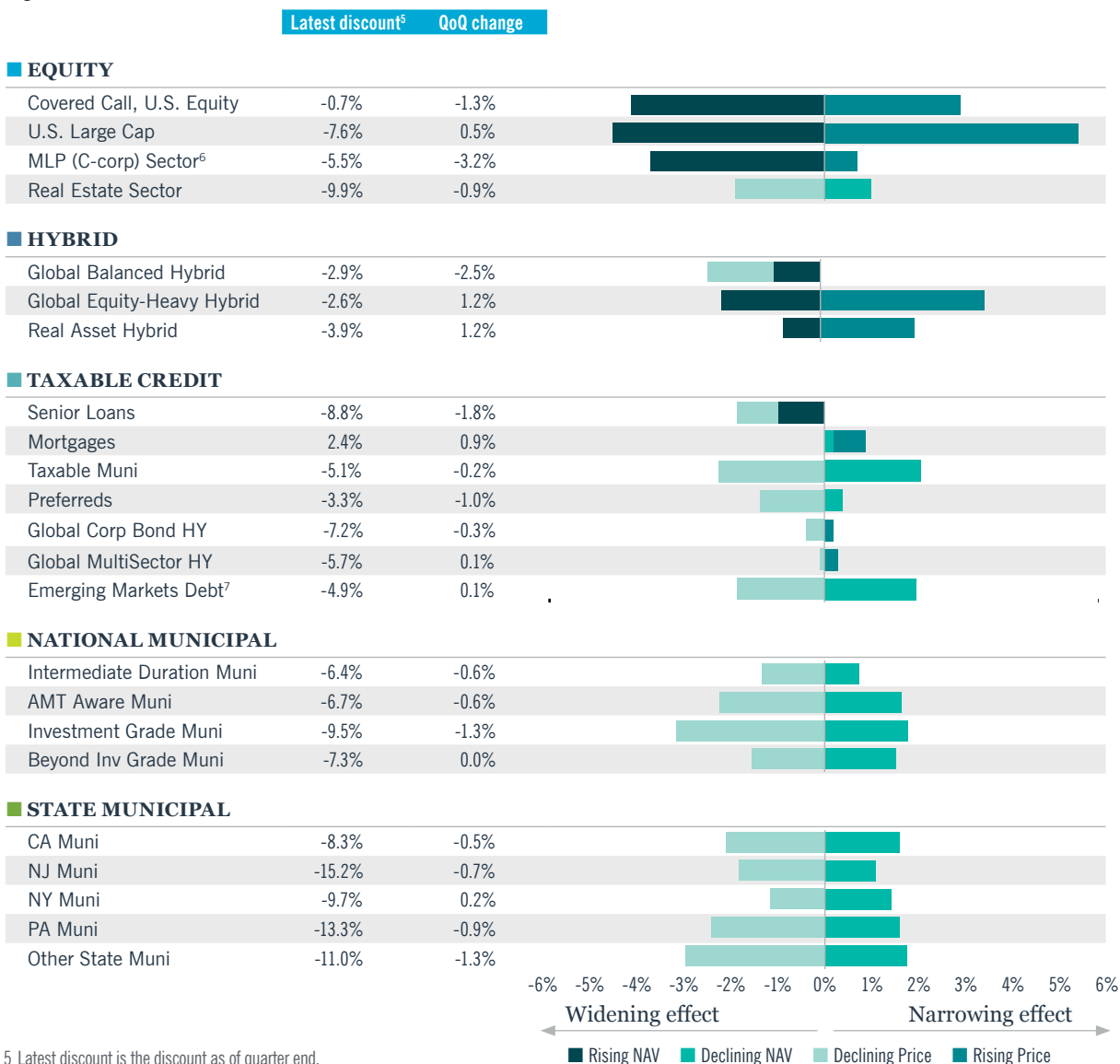
⁴ Latest discount is the discount as of quarter end.

VALUATION TRENDS CONT'D

- Discounts within equity segments generally widened as rising prices failed to keep pace with rising NAVs. However, prices in the real estate sector segment declined faster than NAVs, and discounts within the U.S. large cap segment narrowed as prices rose faster than NAVs.
- All hybrid segments had rising NAVs. Only the global balanced hybrid segment had a wider quarterly discount as its average price declined. For the other two key segments, prices rose while discounts narrowed.
- Taxable credit segments showed the most variability in causes for discount changes. The two most volatile segments had opposite outcomes, with discounts widening on taxable municipal fund and narrowing on emerging market debt funds.
- For nearly all municipal segments, prices declined faster than NAVs. The exception was the beyond investment-grade municipal segment, where price and NAV declines balanced out, leading to no change in the discount during the quarter.

Quarterly discount change

By contribution



⁵ Latest discount is the discount as of quarter end.

For more information visit nuveen.com/cef

Learn about daily pricing, fund data, literature, educational resources, commentaries and more. You can subscribe to automatically receive fund commentaries by email. To learn more about adding regular income potential to your portfolio with Nuveen's closed-end funds:

Investors: Contact your Financial Advisor or call Nuveen at 800.257.8787.

Financial Advisors: Contact your Nuveen Advisor Consultant Team at 800.752.8700 or our CEF Specialist: T.R. Findlay, thomas.findlay@nuveen.com, 312.917.8319

Glossary

Basis point is one one-hundredth of one percentage point, or 0.01%. For example, 25 basis points equals 0.25%.

Discount amount (stated in dollars or a percent) by which the market price of a CEF is less than the fund's net asset value.

S&P/LSTA Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market based upon market weightings, spreads and interest payments.

Taxable equivalent yield is the yield or distribution rate needed from a taxable investment to be economically equal to receiving the stated tax-free yield from a municipal bond investment.

Total return on your investment, which takes into account the change in price of a fund's shares—capital appreciation—plus net investment income. The total return for a fund assumes the reinvestment of all distributions in additional shares of the fund. This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy or sell securities, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her advisors.

Methodology

The closed end-fund groups and segments mentioned in this article are determined by a proprietary segmentation process. This process begins with the universe of all U.S.-listed closed-end funds sourced from Morningstar Direct, and sorts each fund within this universe into a particular broad group (i.e., national municipal, state municipal, taxable fixed-income/credit, hybrid, or equity) and then within each group the funds are further sorted into a segment (intermediate duration national municipals, long duration national municipals, Build America Bonds, preferred securities, U.S. large cap without covered calls, U.S. large cap with covered calls, senior loans, energy-focused MLPs, real asset hybrids, U.S.-focused hybrids, etc.) based on the fund's investment mandate. When investment mandates are not available, a fund's recent security holdings or SEC naming convention are used. When a fund's portfolio composition is no longer reflective of its last known published investment mandate, the security holdings are compared against the segmentation guidelines. An "orphan" segment exists within each group, except state municipal, containing funds that do not readily fit into the group's established segments because of their dissimilar investment mandates and/or portfolios. This is the only criteria used to determine whether a fund is placed in the orphan segment; funds are not placed into an orphan segment due to performance, discounts, distributions, or any other characteristics. Average data points for groups and segments were derived by averaging the respective NAV total return, share price total return, discount, or distribution rate data points for every underlying fund within the relevant group and/or segment. Morningstar total returns assume reinvestment of distributions and are net of fund expenses. For further information on Morningstar's methodology visit corporate.morningstar.com.

Important risk considerations

Closed-end funds frequently trade at a discount to their net asset value.

Asset class related risks: There are risks inherent in any investment, including the possible loss of principal. Different types of asset investments have different types of risks, which may provide higher returns but also greater volatility. In general, equity securities tend to be more volatile than fixed income or hybrid securities. Foreign investments may involve exposure to additional risks such as currency fluctuation and political and economic instability. The value of, and income generated by, debt securities will decrease or increase based on changes in market interest rates. High yield corporate bonds are subject to liquidity risks and heightened credit risk. U.S. Treasury securities are guaranteed as to the timely payment of principal and interest.

Closed-end fund historical distribution sources have included net investment income, realized gains, and return of capital. The statements contained herein are based solely upon the opinions of Nuveen. Any securities or sectors mentioned are based on newsworthiness and may or may not reflect holdings in any Nuveen portfolio. Holders of MLP units have the rights typically afforded to limited partners in a limited partnership. As compared to common stockholders of a corporation, holders of MLP units have more limited control and limited rights to vote on matters affecting the partnership. As traded equity securities, MLP units are subject to risks associated with actual and perceived views and market changes that affect the industries and specific companies whose securities the Fund holds.

Past performance is no guarantee of future results and any predicted results may not occur.

Nuveen Securities, LLC, member FINRA and SIPC.

nuveen

A TIAA Company