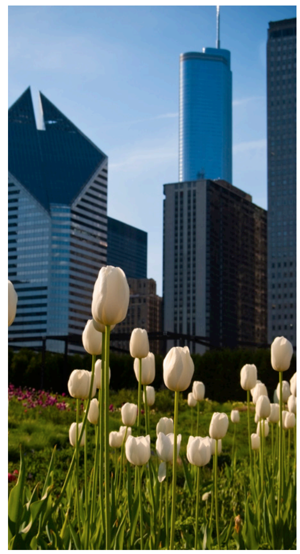
NUVEEN Investments

CEF Market Overview



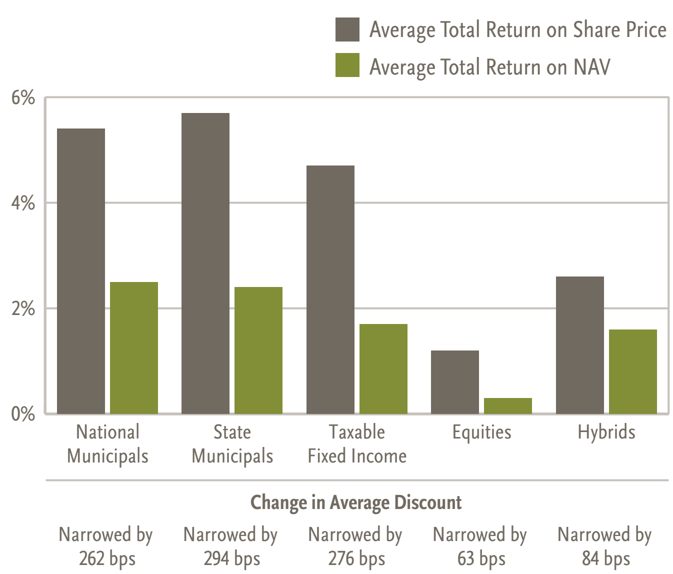
by Mike Taggart, CFA
Vice President
Head of Closed-End Fund Research
Nuveen Investments, Inc.

REVIEW OF THE QUARTER

During the first quarter of 2016, strong performance for closed-end funds was widespread, both in terms of net asset value (NAV) and share price. For the quarter, 38 of the 45 segments into which we divide the closed-end fund (CEF) universe[1] had positive average share price total returns. The only segments that posted negative average share price total returns were global equity-heavy hybrid, covered call U.S. equity, covered call global equity, U.S. large cap, and the master limited partnership (MLP) (C-Corp), energy and Asian equity.

CEFs were trading at an average discount of -7.81% at the beginning of the year, but with strong price returns finished the quarter at an average -5.82% discount. The widespread narrowing of discounts came at a cost to income-oriented investors; the average distribution rate at price narrowed 40 basis points (bps) to 7.75%. Nonetheless, it's difficult to discern in what other diversified funds investors would find an average 7.75% distribution rate at share price.

First Quarter CEF Group Performance (as of 3/31/2016)



Source: Morningstar Direct. For information on groups noted, please read methodology on page 4. **Chart does not represent the past performance of any Nuveen CEF. For fund performance visit nuveen.com. Past performance is no guarantee of future results.** It is not possible to invest directly in any CEF group listed above.

1 To learn more about how groups and segments are calculated, read the methodology on page 4.

National and State Municipals

Municipal CEFs returned 5.52% at share price, on average, in the first quarter compared to a 2.45% average total return on NAV. All but one of the 183 municipal CEFs had positive NAV total returns and 180 had positive share price total returns.

For every municipal segment, average share price total return was higher than average NAV total return, reflecting investors' renewed enthusiasm for municipal bond CEFs. Whether this was due to the Federal Reserve finally raising the federal funds rate in December, a renewed awareness of taxes during tax season and political campaigns, or simply a reflection of the need for income is open to debate. Regardless the cause, the result was that the average municipal CEF discount narrowed 277 bps to -2.06% at the end of the first quarter, with 52 of the 183 funds trading at premiums.

Considering the narrowed discounts and number of municipal CEFs trading at premiums, do investment opportunities still exist? I believe that when it comes to CEFs, investors have focused too much attention on discounts. Those who want to add municipal exposure to their portfolios and who are not averse to the share price volatility of CEFs should view the discount as nothing more than the proverbial icing on the cake, in my opinion. If you find a fund's risk profile and investment objective suitable to your portfolio, switching from a CEF trading at a narrow discount (or even a premium) to one trading at a wider discount is merely short-term trading. Long-term investors will likely find that staying the course is more beneficial than jumping from one fund to another for the seeming appeal of a slightly wider discount, especially on an after-tax basis. Even with the narrowing discounts, the average municipal CEF was still offering a 5.13% distribution rate on share price at quarter end, before tax-exemption adjustments.

Taxable Fixed Income

Taxable fixed income (or credit) CEFs posted an average 4.7% share price total return and 1.7% NAV total return in the first quarter. The average discount narrowed 276 bps to -5.72%. The average distribution rate at price declined 31 bps to 8.54%. All of the 18 taxable credit segments posted positive average share price total returns that exceeded the average NAV total returns.

Perhaps the biggest story in the taxable credit peer group was the preferred securities segment. Here, the average share price total return rose 6.6% versus a 0.1% average increase in NAV total return. The average discount narrowed 595 bps to -0.36%. All 16 funds in the preferred securities group posted positive share price total returns and had their discounts narrow during the quarter. The average share price distribution rate was 7.99% on March 31, down 35 bps from December 31.

The senior loan CEF segment returned an average 2.9% share price total return, outperforming the segment's average NAV total return of 1.9%. The average discount narrowed 75 bps to -8.90% at quarter end, and offered investors a 7.47% distribution rate at price.

From my perspective, the disparity in performance (and share price distribution rates) between preferred security CEFs and senior loan CEFs is indicative of a broader shift in investor sentiment during the first quarter when attention moved away from interest-rate risk toward credit risk.

Equities

Equity CEF results were a mixed bag in the first quarter, with seven of 13 funds in the segment posting positive average share price total returns. Natural resources sector equity CEFs, beaten down throughout 2015, rebounded to post an average 18.7% share price total return in the first quarter. Despite the heightened volatility, the average MLP C-Corp equity CEF finished the period with a share price total return that was down just 3.9%.

It was a puzzling quarter for covered call U.S. equity CEFs. The segment's average NAV total return declined 0.6%. Given the funds' strategy, which can help mitigate downside risk, one might expect investors to seek refuge in the funds amid the stock market's recent uncertainty. Instead, the average share price total return dropped slightly more (-0.8%) than the NAV total return, suggesting that perhaps many investors don't fully understand the strategy. The average discount on covered call U.S equity CEFs widened by 37 bps to -5.96% during the quarter, while the average distribution rate on share price stood at 9.09% at quarter end.

The real estate sector equity segment was one of the few CEF segments in which the positive average share price total return (3.8%) lagged the positive average NAV total return (4.4%). Investors seem to have grown wary of real estate investments over the past quarter or two, as demonstrated by the segment's average -12.67% discount as of March 31.

In my experience, successful CEF investing often involves a contrarian mentality: buying when others are selling and vice versa. In my opinion, at that average discount, the average real estate equity CEF is offering a 7.71% share price distribution rate — representing a potential long-term investment opportunity.

Hybrids

Hybrid CEFs, by design, hold both taxable fixed income and equity securities. As a result of this asset class diversification, it's reasonable to expect the average performance of the segment for any given quarter to fall somewhere between the average performance of taxable credit CEFs and equity CEFs. This was the case in the first quarter, as the peer group's average NAV total return (1.6%) and price total return (2.6%) fell between the corresponding returns for taxable credit and equity CEFs. The average -8.73% discount for hybrid CEFs, which narrowed 84 bps in the quarter, also fell between the discounts for the taxable credit and equity peer groups.

Global equity-heavy hybrid CEFs had negative average share price total return (-1.1%), negative average NAV total return (-1.3%) and a wider average discount at quarter end (-11.97%) than on December 31. Seven of the nine funds in this segment were trading at double-digit discounts, which helped boost the average NAV distribution rate (8.78%) to an average 10.01% distribution rate on share price.

In closing, I believe that despite narrowing discounts in many CEF segments during the quarter, average share price distribution rates remain compelling, especially for income-oriented investors. There are reasons to be optimistic the balance of 2016 will bring similar performance.

For more information:

Visit nuveen.com/cef for daily pricing, fund data, literature, educational resources, commentaries and more. You can subscribe to automatically receive fund commentaries by email.

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Financial Advisors:
Contact your Nuveen Advisor Consultant Team at 800.752.8700 or one of our CEF Specialists:

Brian Buehring, CIMA
brian.buehring@nuveen.com
310.651.0112

T.R. Findlay
thomas.findlay@nuveen.com
312.917.8319

Stephen Fox
stephen.fox@nuveen.com
212.207.2055

Methodology, Glossary and Important Risk Considerations

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) 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 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. Because funds within the orphan segments have investment mandates or portfolios that differ from those of the funds within the established segments, we believe comparative analysis is not meaningful and, therefore, these segments' averages are not included in this article.

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.

Glossary

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.

Total Return The 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.

Any reference to credit ratings refers to the highest rating given by one of the following national rating agencies: S&P, Moody's or Fitch. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings.

Risks

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. Government bonds are guaranteed as to the timely payment of principal and interest.

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

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333 West Wacker Drive
Chicago, IL 60606
nuveen.com/cef

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