

## Bulldog Muni Updates

1/22/2019

Bulldog Muni Update- Tax Free Investing at a Discount- Shareholder activism is a powerful tool and using activism to mould investment returns is extremely effective. A top performing muni CEF in 2018 was **Alliance California Municipal Income Fund (AKP, 5.7discount, 3.65% dividend yield)**. AKP returned 4.59% in 2018 vs. a return of 1.28% for the Bloomberg Barclays Municipal Bond Index. The reason for the out performance was effective activism that pushed the market price discount to NAV down from 11.4% on 12/31/17 to 6.62% on 12/31/18. AKP sought approval of a new investment advisory agreement that Bulldog Investors opposed and successfully blocked. Keeping up the pressure on management to offer shareholders an exit close to NAV, Bulldog last week nominated 3 candidates to the Board of Directors.

If you thought muni bonds were boring investments, you haven't looked at the CEF space. Discounts on some muni CEFs gapped out to over 17% in Q4 2018, the widest levels since 2008. A combination of unhappy shareholders nursing losses and wide discounts make the sector ripe for opportunistic activists.

Eaton Vance is struggling to merge 4 muni CEFs. Shareholder approval is required and the **Eaton Vance Muni Bond Fund II (EIV, 11.69d, 4.29% yld)** has had its shareholder meeting adjourned several times as shareholders balk at providing approval. A single shareholder owns 22.5% of the fund and approval will be impossible without that shareholder playing ball. Some concessions will have to be offered by management (possibly a partial exit at NAV) to get the mergers approved. **Nuveen Ohio (NUO, 14d, 3.95% yld)**, saw a 13d filed last week by a shareholder with 5% ownership. In their filing the group stated they had entered into discussions with management concerning the creation of long term value for shareholders including liquidation of the fund. Also included in discussions was **Nuveen Pennsylvania (NQP, 15d, 4.5% yld)**. Other funds with interesting shareholder ownership include **DTF Tax Free Income (DTF, 13.5d, 3.27% yld)** and **Nuveen Connecticut (NTC, 14d, 4.2% yld)**. Dividends on muni cefs are usually exempt from federal tax and depending on the shareholder's state of residence could also be exempt from city and state taxes. So for a Connecticut resident with an effective tax rate (federal and state) of 48%, the tax equivalent yield on NTC is over 8%.\*

Please reach out with any questions.

*\*(source: cefconnect).*