

Bulldog CEF Update

October 2019

Vertical Capital Income Fund ("VCIF")- "Bulldog falls short on effort to block new advisory agreement"- Shares of VCIF have declined to \$9.90 after trading as high as \$10.68 earlier this month, after VCIF announced results of its annual shareholder meeting. On the agenda was approval of a new advisory contract between VCIF and Oakline Advisors, VCIF's investment advisor, which Bulldog opposed.

VCIF primarily invests in residential mortgage loans traded in the secondary market at a discount to their unpaid principal balances. VCIF, until recently, had operated as an interval fund, making quarterly repurchases for no less than 5% of outstanding shares at NAV. At the last two repurchases, conducted October 22, 2018 and January 23, 2019, over 40% of shareholders requested to redeem their shares. Since requests to redeem far exceeded what the fund was willing to buy back, shareholders saw their requests pro-rated.

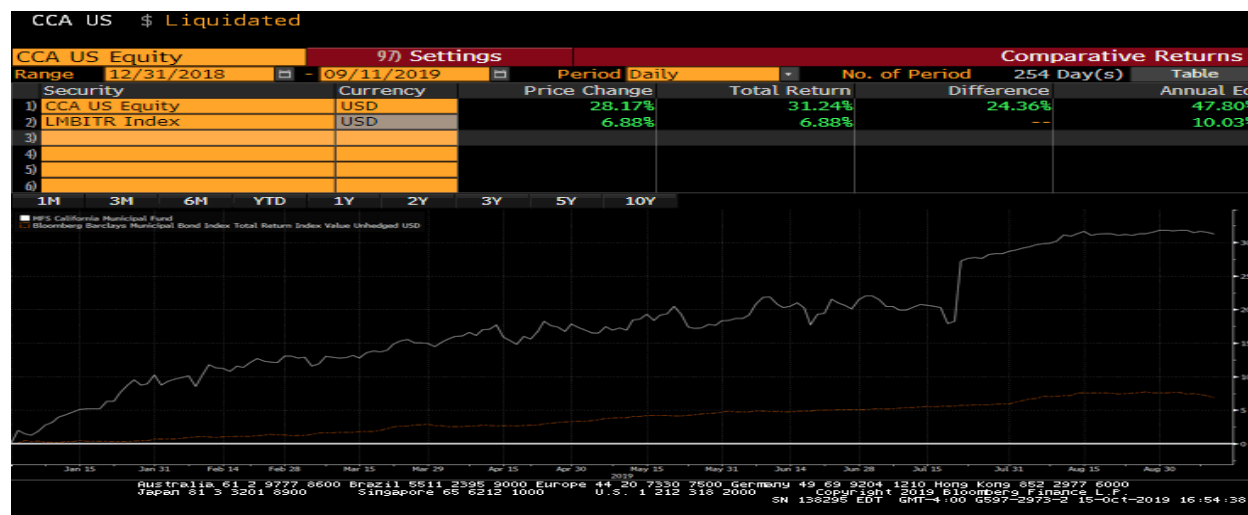
As a solution to what the fund describes in its semiannual report as "an unsustainable situation" the decision was made to list on the NYSE, with the listing providing shareholders daily liquidity. On May 30, 2019 VCIF shares began trading on the NYSE, and unsurprisingly, went straight to a steep discount. Shares closed trading at \$8.65 vs a NAV of \$12.42, a discount of over 30%. On June 17, 2019 shares closed trading even lower - at \$7.51 per share! Shareholders achieved the liquidity they were seeking but at a steep cost (see chart below). Rather than conduct a liquidity event for shareholders at close to NAV, management chose to cling to its fees and forced exiting shareholders to accept a deeply discounted price. Bulldog started buying shares over the summer with the goal of allowing shareholders a fair exit price for their shares, as we said in our proxy- **"We believe you should not have to choose between (1) poor liquidity at NAV or (2) good liquidity but only with a big discount from NAV. We think you should be able to sell ALL of your shares without having to accept a large discount from NAV."** As a means to an end, Bulldog opposed approval of the new advisory contract between VCIF and the fund's advisor. After several adjournments, and opposition by Bulldog, approval was finally received.



Some color- Bulldog currently owns 9% of the shares of VCIF. All our shares were purchased after the record date for the shareholder meeting and as a result could **NOT** be voted. We think that most of the buyers of VCIF shares since conversion to a CEF are like-minded value investors that will support a liquidity event. Most probably could not vote their shares. Selling shareholders are retail --those that purchased shares through their advisors (some with a sales load as high as 5.75%). With the discount on VCIF back over 20%, we think this shareholder base continues to tick over in our favor. We are confident that it is only a matter of time before Bulldog can orchestrate a liquidity event close to NAV for all shareholders- stay tuned!

BrandywineGLOBAL Global Income Opportunities Fund Inc. ("BWG") – this is a global fixed income fund trading at a wide discount to NAV - currently around 14.5%. Bulldog owns 6% of the outstanding shares and we have filed a 13D and submitted a shareholder proposal asking BWG to conduct a self-tender offer. BWG pays a monthly dividend of 6.5 cents per share (current yield 6.4%).

MFS California Insured Municipal Fund Inc. ("CCA") – *“Minnow of a fund offers a whale of a return to shareholders”*- CCA announced on July 19, 2019 the Board of Directors decision to liquidate the CEF. At the time of announcement the shares were trading at an 8.6% discount to NAV. CCA started the year at a discount of over 16%, so a big win for shareholders here (total fund size was only \$35 million). The table below shows returns to shareholders over the Bloomberg Muni Bond index since the start of the year to the last day of trading on September 11, 2019.



Nuveen CT Quality Municipal Income Fund ("NTC")- Bulldog owns 5.59% of NTC and had initially opposed the merger of NTC into **Nuveen AMT-Free Municipal Credit Income Fund ("NVG")** – however with the discount on NVG now close to 3%, coupled with the 10% distribution to NTC shareholders, we have changed our vote and are now supporting the merger. We think it is highly likely that we will exit our NTC shares at a price close to NAV.

Attached is a Q&A I recently conducted with “The Analyst’s Guide to Closed-End Funds.” In the interview I talk about activism in the CEF space and how Bulldog approaches CEF investing. The guide is an excellent source for information and color on the CEF space and I highly recommend it to those of you looking to follow the space more closely.

Please reach out with any questions you may have.