

Bulldog SMA - Closed-End Fund Strategy Update September 2022

Since the launch of Bulldog Investors' Closed-End Fund ("CEF") separately-managed account ("SMA") product on July 1, 2021, the composite has returned -3.5% (through 6/30/22), vs. a return of -11.92% for the S&P 500 Index. Year-to-date through June 30, 2022 our CEF SMA composite has declined -7.81% vs. a decline of -20.58% for the S&P 500 Index.*

As expected in this harsh environment, CEF net asset values ("NAVs") have declined across the board, save for the Commodity/MLP sector, and discounts have gapped out sharply. We have seen several corporate action announcements from CEFs intended to address this discount issue. We expect shareholder activism to increase over the next few months as arbitrageurs and activists rush in to take advantage of a very attractive opportunity set.

As Bulldog has previously noted, earlier this year, a well-reasoned opinion issued by a judge in the District Court for the Southern District of New York found that a CEF's bylaw placing so-called "control share" limitations on voting by shareholders of the CEF "violates Section 18(i) of the Investment Company Act of 1940." The decision has been appealed, but we think it is likely to be affirmed.

CEF Boards of Directors and management, however, continue to take actions to entrench themselves, with many viewing the conflict between shareholders and management to be a zero-sum game. In an egregious example of entrenchment, the ***Tortoise Power & Energy Infrastructure Fund, Inc. ("TPZ")*** adopted two bylaws that purport to prohibit (1) a large shareholder from voting all its shares, and (2) a shareholder from submitting a nominee for director unless the shareholder has held shares for at least three years. These bylaws appear to violate the Investment Company Act of 1940 and a lawsuit challenging them is a real possibility. Bulldog had owned about 4% of TPZ shares and a similar position in a sister Fund, the ***Tortoise Energy Independence Fund, Inc. ("NDP")***, and had previously communicated our concerns with management. Apparently sensing shareholder unrest, management has taken positive actions to address the discount, including a significant dividend increase and two conditional tender offers if the average discount exceeds 10% over a specified time. However, with oil prices having moved from below \$70 barrel in December 2021, to over \$120 by March, it made sense to cash in some profits and we exited most of our positions in NDP and TPZ.

Two other CEFs in the MLP space have also come under pressure from shareholders. ***The Cushing MLP & Infrastructure Total Return Fund ("SRV")*** announced a 200% increase in its monthly distribution, causing the share price discount to NAV to narrow from 24% to 15%. ***Center Coast Brookfield MLP & Energy Infrastructure Fund ("CEN")*** announced a review of strategic options after its largest shareholder nominated a dissident slate for consideration at the next annual meeting. About 40% of the fund's assets are invested in a private entity, KKR Eagle Co-Invest LP. It is obviously concerning for any fund to be so concentrated in a single illiquid investment. Bulldog has sent a letter to the Board of Directors, proposing that CEN "announce that it intends to monetize all of its other securities, eliminate any remaining leverage, distribute substantially all the net cash to stockholders, and only retain its investment in KKR Eagle until it can be sold (at a price that the Board deems to be fair) with the objective of ultimately winding up the Fund." Assuming the fund liquidates holdings and pays everything out, the remaining KKR Eagle CO-Invest LP stub is trading pro-forma at an approximate 37% discount.

Bulldog currently owns over 5% of ***Delaware Enhanced Global Dividend and Income Fund ("DEX")***. DEX recently announced that it intended to merge ***into abrdn Global Dynamic Dividend Fund ("AGD")***. However,

both CEFs trade at wide discounts (of about 11%) so this merger presents no apparent benefit to shareholders. In fact, shareholders of DEX will be worse off in our opinion, because DEX conducts a small self-tender offer each year at 98% of NAV, which tends to keep the discount from blowing out. AGD has no similar policy to control its discount. Promptly after the announcement, we submitted a shareholder proposal to DEX and may actively oppose the proposed merger unless management agrees to provide for a liquidity event prior to consummating it.

Delaware Investments National Municipal Income Fund (“VFL”) is a national Muni bond fund that has been under pressure from activist shareholders. On July 22, 2022, VFL announced a tender offer for 50% of its shares at a 1% discount to NAV. Over the next few weeks, the discount narrowed from 9% to under 2% and we exited our position.

Templeton Global Income Fund (“GIM”) is a target of Saba Capital Management, another activist investor that had succeeded in electing four trustees to the Board (out of eleven total Trustees) in 2021. After increasing its ownership to 29% of GIM’s shares, Saba seemed poised to gain control of the board at the annual meeting held in early June of this year. As it turned out, the vote was closer than anticipated. Consequently, a few days before the meeting Saba, believing that certain large blocks of shares of GIM, including Bulldog’s, might swing the election, reached out and offered to buy shares at a premium to the market price. After a brief negotiation, we agreed to sell all our shares to Saba at 95% of NAV (as of a specific date) if it lost the election and 99% of NAV if it won (the agreed share price is higher than current trading levels). Shortly after the meeting, Saba announced that its nominees had been elected, but a few days later GIM sued Saba to prevent certification of the results. In its complaint, GIM claimed that Saba failed to disclose the transaction prior to the annual meeting. We think GIM’s lawsuit is a desperate attempt to undo the results of an election. In any event, we are fairly confident the court will soon rule in Saba’s favor and our sale will then be consummated at the higher fixed price. Meanwhile, we continue to collect monthly dividends on our shares of GIM.

Vertical Capital Income Fund (“VCIF”) - VCIF is a unique CEF whose portfolio consists of whole home mortgages. A few years ago, it converted from a non-traded interval fund (which conducted periodic self-tender offers) to a publicly traded CEF. Since the conversion, shares have almost always traded at a double-digit discount to NAV. Pressured by Bulldog and other like-minded shareholders, VCIF announced it had engaged an investment banker “to evaluate strategic alternatives for the Fund, with the goal of increasing shareholder value.” We are hopeful that VCIF will announce an attractive option to do just that soon.

Not all activist campaigns end in success. Notable failures in 2022 include **The Taiwan Fund (“TWN”)** and **The New Ireland Fund (“IRL”)**. Especially disappointing were the actions by the Board of Directors and large institutional shareholders of TWN. An actionable opportunity presented itself to shareholders of TWN when the Board sought approval of a new advisory contract. The investment advisor of TWN, Allianz Global Investors U.S. LLC, pled guilty to one count of securities fraud. This forced the Board to search for a new advisor and after a review the Board announced Nomura Asset Management as the new investment advisor. The appointment of a new advisor requires shareholder approval and shareholders could have requested a liquidity event at NAV in return for providing the requisite approval (average share price discount to NAV for the first six months of 2022 for TWN was –16.5%). Bulldog owned over 4% of the outstanding shares of TWN, and filed a 13d stating that “in connection with a change of advisers, stockholders should be afforded an opportunity to monetize their investment via a self-tender offer at a price close to net asset value”. Unfortunately, several large shareholders on the roster run products that require access to CEFs, and as a result chose to maintain the status quo rather than maximize value for

their investors. Similarly, at IRL a dissident slate of Directors was defeated at the Annual Meeting-- the current share price to NAV discount on IRL is 15%.

While the investment climate remains challenging, more modest valuations and lower asset prices, combined with wide discounts on CEFs and business development companies make for a compelling activist investment case. Please reach out with any questions you may have.

** Presented herein is composite performance information for all SMAs participating in Bulldog Investors' CEF SMA Strategy. The following factors were taken into account when calculating composite performance:*

- *Performance is presented net of all fees (including an annual management fee of 1%) and expenses.*
- *Each participating SMA is included in the composite at the beginning of the quarter following the date the SMA is opened.*
- *SMAs that are closed are removed from the composite on the last day of the full quarter during which the SMA was open.*
- *Performance is asset-weighted.*
- *SMAs maintained on behalf of personnel of Bulldog Investors are not included in the composite. As a result of personal trading restrictions imposed by Bulldog Investors on its personnel, such SMAs do not resemble the portfolios of other SMAs in the composite.*
- *Cash flows into, and out of, each SMA in the composite are accounted for.*

The CEF SMA Strategy composite performance information has been calculated by SS&C Technologies. It is not intended to suggest that the performance of every SMA in Bulldog Investors' CEF 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.