Closed-end funds ("CEFs") are traditionally utilized by investors that seek the unique characteristics offered by the closed-end fund structure. One of the advantages of the closed-end fund structure is the potential for a high income stream relative to traditional mutual funds. CEFs can utilize leverage and covered call writing in seeking to enhance their earnings and to pay higher income distributions to investors than their open end fund counterparts. These higher distributions can represent a large portion of the CEF’s “total return,” as defined below, and can sometimes be overlooked by investors when analyzing the performance of their CEF investment.

Rather than simply looking at a CEF’s share price appreciation/depreciation since an investor’s initial investment, a calculation of a CEF’s total return takes into account both the change in share price, as well as any distributions received by the investor. In some cases, financial statements from brokerage firms may only show share price performance without showing distributions received by the investor, ultimately understating the CEF’s performance from a total return perspective. When a CEF pays a dividend, the amount of the distribution is deducted from the fund’s net asset value and the resulting reduction in net asset value is subsequently reflected in a lower share price. While the per share price of the fund is reduced, the investor receives the distribution, which is a component of the fund’s total value. Accordingly, when calculating the CEF’s total return over time, the amount of the distributions paid by the fund should be added back to the share price appreciation/depreciation of the fund.

This dynamic is important when evaluating CEFs. The chart below further illustrates the importance of looking at total return versus simple price return in evaluating CEF performance.

**March 2023**

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*Source: Lipper as of 2/28/2023. CEFs are represented by all funds in the Lipper closed-end fund universe. In general, CEF distributions may be sourced from net investment income, realized gains and return of capital. For specific information about a fund’s distribution sources, visit the fund sponsor’s website. Past performance is not a guarantee of future results. Lipper category returns are shown for illustrative purposes only and are not meant to represent the past or future performance for any fund.*