



Five Closed-End Funds For Bond Bulls

This week's Five for Friday report screens for fixed income Closed-End Mutual Funds (CEFs). For more details on what a CEF is and why they might present an excellent opportunity if bond yields decline, we share our recent article- [Bond Bull Market Coming? Take The Road Less Traveled.](#)

We summarize the article as follows:

*There are always opportunities in markets. Sometimes they are obvious and well followed by the public. Other times they lurk in underfollowed markets. **We believe we are approaching a period in which bond yields will fall. While a typical investment in bonds, bond funds, or ETFs will prove valuable in such an event, CEFs can do even better.***

Steep discounts to NAV and leverage separate CEFs from other fixed-income alternatives. While more volatile and riskier, they can also be more rewarding.?

This week's screen seeks fixed income CEFs, holding predominately investment-grade debt, employing leverage, and trading at relatively deep discounts to their respective NAV. This week we present six securities instead of five as we want to provide a wider selection of funds.

As you will see below, the funds have all traded poorly over the last few months. This is due to higher yields and increasing discounts to the funds' respective NAVs. While the graphs may look ugly, they also speak to the potential opportunities when yields start falling and the discounts to NAV normalize.

Screening Criteria

Fixed Income Fund- Predominately Investment Grade: Including Corporates, Treasuries, Asset and Mortgage-Backed Securities, and Municipal Bonds.

Leverage >25% and <50%

Discount to NAV -5% or more

1-year Average Discount/Premium >0%

1-year Z-score of Discount <-1

Monthly Coupon Payments

Expense Ratio <1.50%

Age of Fund >10 years

Fund Name	BlackRock Taxable Municipal Bond	Nuveen Taxable Municipal Income	BlackRock Core Bond	Putnam Managed Muni Income	BlackRock Income	Nuveen Enhanced Municipal Value
Ticker	BBN	NBB	BHK	PMM	BKT	NEV
Strategy	Fixed Income - Taxable-Taxable Muni	Fixed Income - Taxable-Taxable Muni	Fixed Income - Taxable-Investment Grade	Fixed Income - Municipal-Municipal	Fixed Income - Taxable-Investment Grade	Fixed Income - Municipal-Municipal
Closing Price	\$22.32	\$20.01	\$13.23	\$7.29	\$5.12	\$13.67
NAV	\$23.80	\$21.47	\$14.36	\$7.83	\$5.43	\$14.82
Distribution Rate	6.61%	6.51%	6.77%	5.27%	8.06%	4.96%
YTD Return on NAV	-3.68%	-2.49%	-3.94%	-4.00%	-1.95%	-4.62%
YTD Return on Price	-7.83%	-4.56%	-13.63%	-14.37%	-4.78%	-8.41%
Effective Leverage	33.50%	40.95%	37.56%	26.75%	25.51%	35.11%
Market Cap	\$1,316M	\$571M	\$714M	\$357M	\$327M	\$341M
Total Expense Ratio	1.20%	1.37%	0.90%	0.93%	1.15%	1.14%
Premium/Discount	-6.22%	-6.80%	-7.87%	-6.96%	-5.71%	-7.76%
1yr- Avg Prem/Disc	0.84%	0.00%	1.02%	0.95%	2.47%	1.06%
5yr- Avg Prem/Disc	-1.34%	-2.30%	-4.72%	-4.46%	-4.29%	-3.55%
1yr Z score Prem/Disc	-4.15	-3.88	-2.80	-2.53	-2.29	-2.04

Data Courtesy Nuveen- CEF Connect

Fund Summaries

Blackrock - BBN

BBN currently trades at a 6.22% discount to NAV. Over the last 10 years it has traded as high as +6% and slightly below -10%. Its discount is currently over 4 standard deviations below average. The fund holds less than 10% in non-investment grade holdings. It predominately invests in municipal bonds with 15-30 year maturities.



Nuveen - NBB

Other than a brief period in 2018, when the discount exceeded -8%, its current discount of -6.8% is the lowest in five years. 20% of NBB's holdings are not rated and less than 5% are below investment grade. The fund holds taxable municipal bonds with an average maturity of about 20 years.



BlackRock ? BHK

Since 2001 BHK has traded at a 10% discount on numerous occasions. As such it potentially has approximately 2% of downside if it revisits -10%. The fund is a hybrid fund holding a wide variety of bond classes including corporate, government, and securitized bonds.



Putnam ? PMM

The fund's discount to NAV has traded as low as -15% which leaves about 8% downside if it were to revisit similar levels. In late 2021 it traded with a 7% premium. 30% of its holdings are not rated and less than 15% are below investment grade. PMM predominately has municipal bonds with 20+ year maturities.



BlackRock ? BKT

The fund's premium in late summer of 2021 approached 10% and has since fallen rapidly. The graph below shows the effect on its price. A large portion of the fund's holdings is in AAA-rated mortgage-backed securities.



Nuveen ? NEV

The fund trades at a -7.76% discount to its NAV which is near its ten-year low discount of -11%. In March of 2021, it peaked with a premium of 9%. Year to date the fund is down 8.4% due to the growing discount as well as higher yields. Its prior worst year was in 2018 when the Fed was raising rates and embarking on QT. It returned -4.28% that year but followed it up in 2019 with a 21% return.



Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.