



## Five Closed-End Funds For Bond Bulls Redux

This week's Five for Friday report seeks to profit from lower bond yields in a unique way that offers higher potential returns than most individual bonds and open-end bond funds. In this screen, we look at Closed-End Fixed Income Mutual Funds (CEFs) for opportunities to take advantage of their leverage and price discounts to their respective NAVs. Leverage and discounts allow for more significant price gains and higher yields than individual bonds.

For more information on CEFs and why they might present an excellent opportunity if bond yields decline, we share- [Bond Bull Market Coming? Take The Road Less Traveled](#). While the article is dated, it summarizes the potential benefits and risks of holding CEFs.

Per the article:

*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.

The funds have all performed poorly this year as yields have risen and the funds respective discounts to NAV widened. While the returns may be ugly, they also speak to the potential opportunities if bond yields start falling and the respective discounts to NAV normalize. There are only three funds that meet our criteria.

### Screening Criteria

Fixed Income CEF- Predominately Investment Grade: Corporate, Treasury, and Asset/Mortgage-Backed

Leverage >25%

Discount to NAV -5% or more

Distribution rate >6%

Age of Fund >20 years

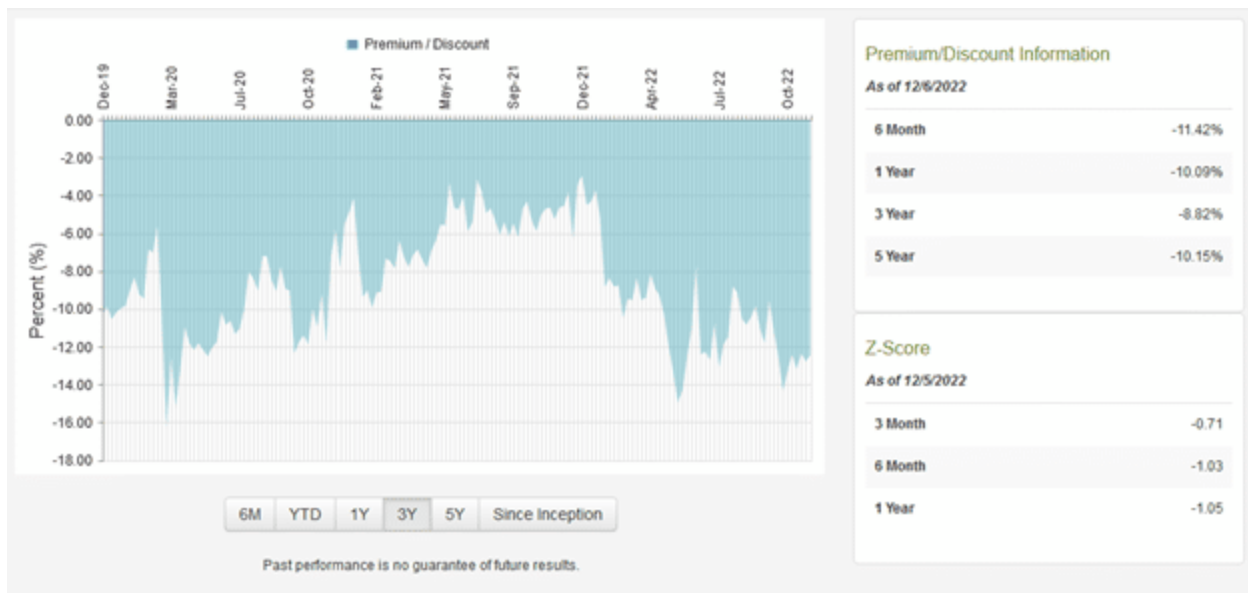
Fund Name	Western Asset Inflation Linked Fund	Nuveen Multi-Market Income Fund	Western Asset Premier Bond
Ticker	WIA	JMM	WEA
Price (12/6/22)	9.10	5.79	10.44
NAV (12/6/22)	10.47	6.41	11.51
Discount to NAV	-13.09%	-9.67%	-9.30%
Avg. 5yr Discount	-8.82%	-7.45%	-5.17%
3yr. Premium/Discount	-16% to -3%	-11% to -1%	-11% to +.5%
Eff. Leverage	40.42%	29.40%	34.02%
Distribtuion Rate	5.73%	5.62%	6.88%

The summaries and graphs below are from Nuveen's [CEF Connect](#) website. The graphs show the three-year history of the discount to NAV. These help us appreciate the potential for extra capital appreciation if the discount normalizes and the potential risk if it declines.

## Fund Summaries

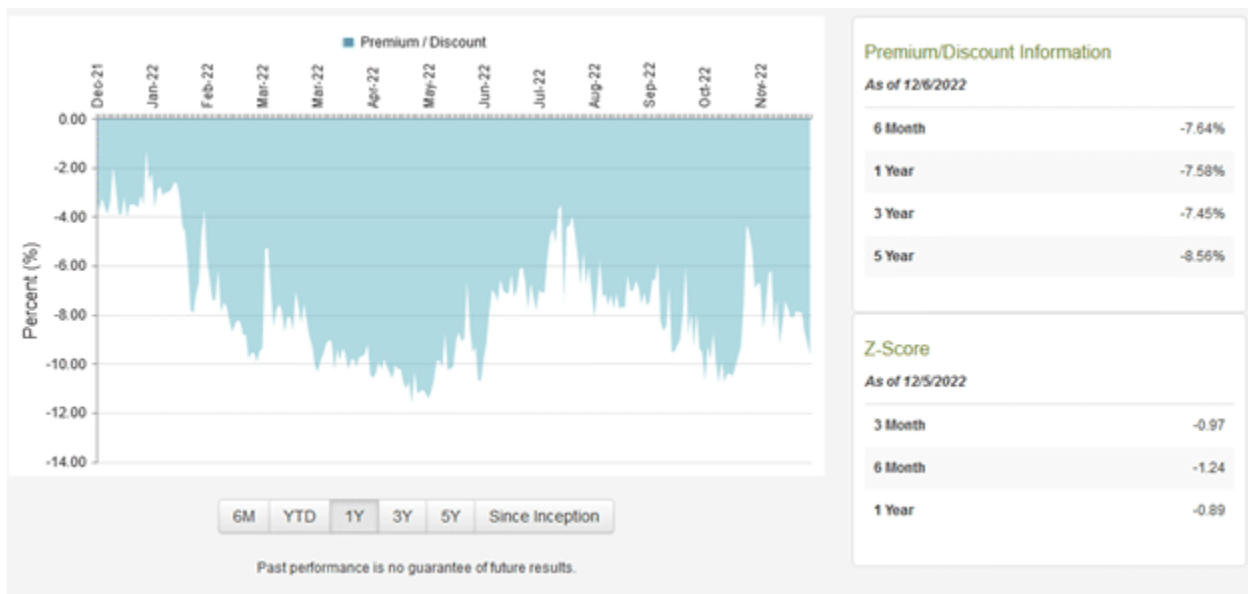
### WIA Western Asset Inflation-Linked Income

Under normal market conditions, the Fund will invest in: 1. At least 80% of its total managed assets in inflation-linked securities; 2. At least 60% of its total managed assets in U.S. TIPS; and 3. No more than 40% of its total managed assets in non-U.S. dollar investments, which gives the Fund the flexibility to invest up to 40% of its total managed assets in non-U.S. dollar inflation-linked securities. It is also expected that the Fund will make expanded use of credit default swaps.



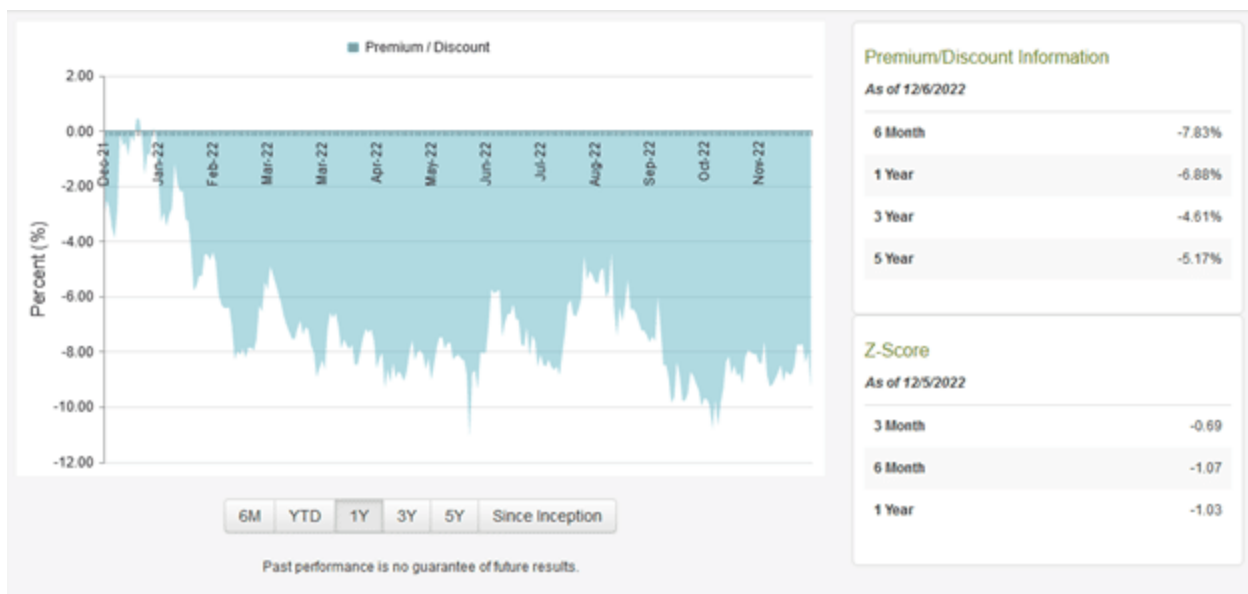
### JMM ? Nuveen Multi-Market Income Fund

The Fund's objective is to provide high monthly income consistent with prudent risk to capital. The Fund will invest primarily in debt securities, including, but not limited to, U.S. agency and privately issued mortgage-backed securities, corporate debt securities, and asset-backed securities. At least 65% of the Fund's total assets must be invested in securities that, at the time of purchase, are rated investment-grade or of comparable quality.



## WEA Western Asset Premier Bond

The Fund expects to invest substantially all (but at least 80%) of its total managed assets in bonds, including corporate bonds, U.S. government and agency securities and mortgage-related securities, and at least 65% of its total managed assets in bonds that, at the time of purchase, are of investment grade quality. The Fund may invest up to 35% of its total managed assets in bonds of below investment grade quality at the time of purchase.



## 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.