

The importance of total return in closed-end funds

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.

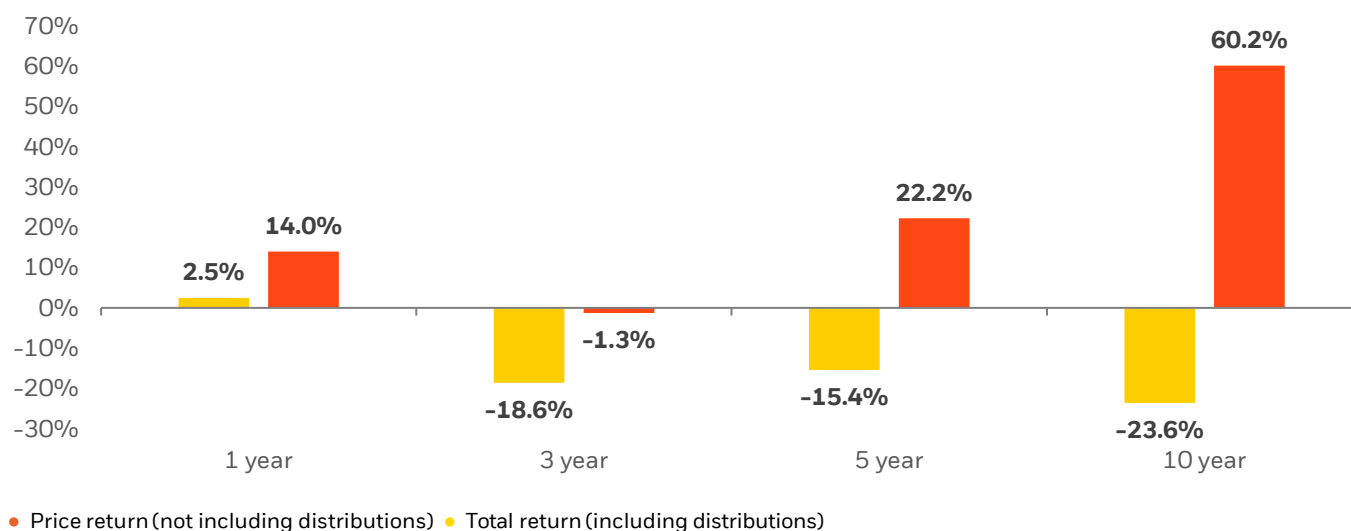
Rather than simply looking at a CEF’s share price appreciation/depreciation since an investor’s initial investment, a calculation of a CEF’s total return takes into account both the change in share price, as well as any distributions received by the investor. In some cases,

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.

Closed end funds

Simple price return vs. total return



Source: Morningstar as of 6/30/2024. CEFs are represented by all funds in the Morningstar 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. Morningstar category returns are shown for illustrative purposes only and are not meant to represent the past or future performance for any fund.**

About BlackRock

BlackRock's purpose is to help more and more people experience financial well-being. As a fiduciary to investors and a leading provider of financial technology, we help millions of people build savings that serve them throughout their lives by making investing easier and more affordable. For additional information on BlackRock, please visit www.blackrock.com/corporate

Want to know more?

blackrock.com

Past performance does not guarantee future results. This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This material is strictly for illustrative, educational, or informational purposes and is subject to change. Investing involves risk, including possible loss of principal.

Performance data quoted represents past performance of common shares and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares may be worth more or less than the original cost. A fund's market price and net asset value will fluctuate with market conditions. All return data assumes reinvestment of all distributions. Current performance may be lower or higher than the performance data quoted. In evaluating total return, investors should take into account the effect of federal, state and local income and other taxes payable by the investor on distributions received from a fund and any gain on the sale of fund shares. The extent and nature of such taxes may be affected by a fund's particular investment strategies and tax status, as well as the investor's own circumstances. Additional information regarding distributions can be found in a fund's annual and semi-annual shareholder report. For more information, please refer to blackrock.com.

Closed-end fund shares are not deposits or obligations of, or guaranteed by, any bank and are not insured by the FDIC or any other agency. Investing involves risk, including possible loss of principal amount invested. A closed-end fund that writes covered calls over its portfolio in order to enhance distributions to shareholders, limits its ability to benefit from capital appreciation. As a means of enhancing return, many fixed income closed-end funds may issue senior securities or borrow money to "leverage" their investment position. There is no assurance that a fund's leveraging strategy will be successful. Once a portfolio is leveraged, the net asset value and market value of the common shares will be more volatile. While a common investment practice by many CEF managers, leverage cannot assure a higher yield or return to the holders of the common shares. This is not a prospectus intended for use in the purchase or sale of any fund's shares. Investors should review a fund's prospectus and other publicly available information, including shareholder reports, carefully before investing. Shares may only be purchased or sold through registered broker/dealers. For more information regarding any of BlackRock's closed-end funds, please call BlackRock at 800-882-0052. No assurance can be given that a fund will achieve its investment objective.

The market value and net asset value (NAV) of a fund's shares will fluctuate with market conditions. Closed-end funds may trade at a premium to NAV but often trade at a discount.

© 2024 BlackRock, Inc. or its affiliates. All Rights Reserved. **BLACKROCK** is a trademark of BlackRock, Inc., or its affiliates. All other trademarks are those of their respective owners.

Prepared by BlackRock Investments, LLC, member FINRA.

Not FDIC Insured • May Lose Value • No Bank Guarantee

BlackRock