To Our Clients:

As anticipated, our planned merger with the City of London Investment Group PLC ("CLIG") closed on October 1, 2020. Both Karpus clients and CLIG shareholders overwhelmingly approved or consented to the merger.[1] We are very excited about the potential opportunities for you, Karpus, and the combined entity over the coming years.

For clarity reasons we thought it was important to reiterate how the combined company will look. Put in the simplest terms, CLIG will be the ultimate holding company, with Karpus and City of London Investment Management ("CLIM") intended to remain separate investment management entities reporting to CLIG.

Perhaps the best way to summarize anticipated impacts to you and the day-to-day functions of the combined company is to refer to language from the Prospectus for the merger filed by CLIG. In pertinent part the Prospectus said: "the intention is not to alter either investment management business. Existing offices will remain in place staffed by existing personnel. No client-facing functions will alter. Savings, improvements, and economies of scale that may be achieved are at the holding company level in the functions of finance, payroll, information technology and certain aspects of operations."

In other words, the ultimate goal of the merger is to create an even stronger company that can aid in our ability to help us help you.

## Thoughts on Today's Markets and the Economy

Despite some volatility in equity markets in early September, equities gained 8.93% domestically and 6.25% internationally for the quarter. In the bond markets, taxable bonds and municipal bonds continued with positive gains for both the quarter and year as investors continue to seek yield and have ongoing demand for what they perceive to be "safer" assets. For your reference, the following table lists performance results within the major indices for various time periods.

**Table 1: Performance of Major Indices**

| | Q3, 2020 | 1 Yr. | 3 Yrs. | 5 Yrs. |
|---|---|---|---|---|
| Bloomberg Barclays U.S. Gov't/Credit | 0.78% | 8.02% | 5.85% | 4.65% |
| Bloomberg Barclays Municipal Bond | 1.22% | 4.08% | 4.28% | 3.85% |
| S&P 500 | 8.93% | 15.15% | 12.27% | 14.15% |
| MSCI ACWI ex. U.S. | 6.25% | 2.99% | 1.15% | 6.23% |

Source: Bloomberg Finance, L.P. Periods greater than 1 year are annualized. Past performance is no guarantee of future results.

Overall, we believe there are three particular areas weighing most heavily on investors' minds: (1) the ongoing impacts of COVID-19, (2) high equity valuations and low interest rates in bonds, and (3) the U.S. election cycle.

First, with respect to COVID-19, we think that the largest uncertainties lie in whether a "second wave," vaccine, or other government mandated shutdown(s) may occur. Combined with signs that further support from the federal government may be waning, it's our opinion that stock valuations do not fully reflect the potentially large impacts of any one or combination of these issues.

This is a perfect segue to the next concern we believe is facing investors: high equity valuations[2] and low interest rates in bonds.[3] As we mentioned in last quarter's newsletter, we thought that it was very difficult to argue that the stimulus that has thus far been implemented hasn't resulted in bidding up financial assets. We maintain that position and wonder to what extent the economy and consumer are sustainable on their own, especially in light of the unprecedented U.S. government deficit and debt levels.[4]

Simultaneously, bond yields are at lows[5] and the most recently released projections from Federal Reserve officials have predicted that rates will remain extremely low through at least 2023.[6]

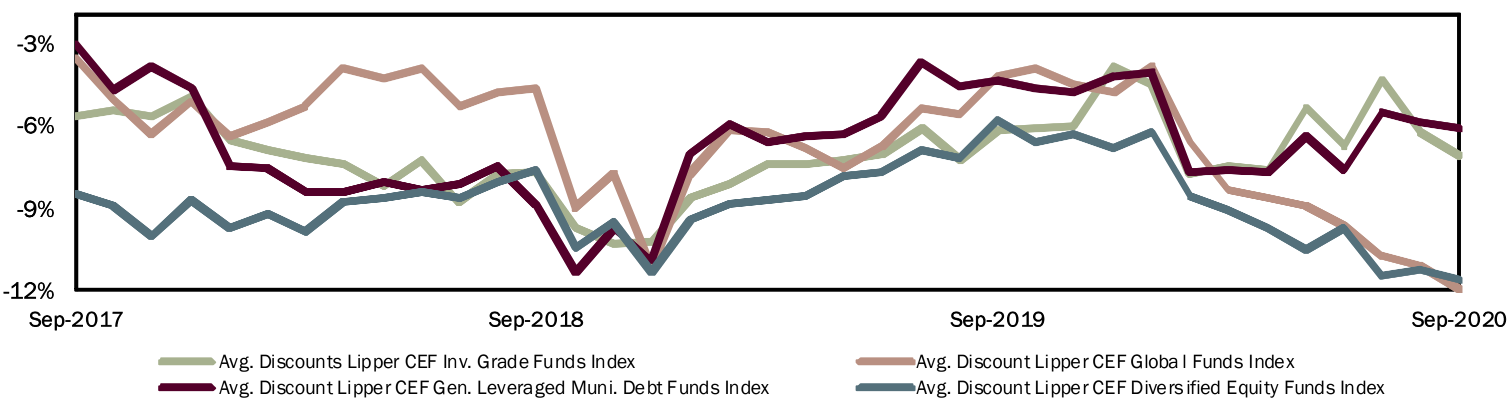
Reverting back to our original list of uncertainties on investors' minds, elections in November also have investors questioning what investment changes they may need to make if a new President is elected. If Trump is reelected, many anticipate that the 2017 tax cuts will remain and deregulation will continue to be a major focus. Alternatively, if Biden is elected, many expect higher taxes, more regulation, and expanded health care coverage (among other things). Further, if Biden is elected, some research estimates that earnings of the S&P 500 Index would decline and could result in an 8-10% drop at the current price-to-earnings (P/E) multiple.[7] This is yet another factor that we do not believe is accounted for in current, heightened valuations.

Summarizing our views, we believe:

- Tactical asset allocation and security selection should be employed to target a conservative return.
- Looking forward, with valuations stretched, we anticipate below average equity returns over the next 5-10 years.
- Asset allocation decisions will need to be viewed differently in light of the low/negative interest rate environment.
- Extensive diversification is key to our positioning.
- Specific funds (CEFs) are attractive in each area, but we currently find municipal bond CEFs and special purpose acquisition companies (pre-acquisition) (SPACs) particularly attractive.

Following is a more in-depth discussion of the developments within each of the major asset classes.

Chart 1: Closed-End Fund Discounts

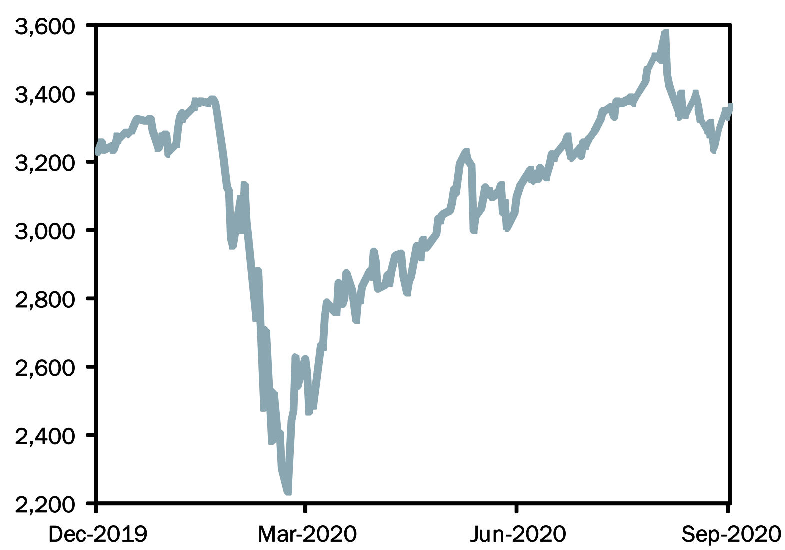



The data represents the simple average of the funds within each index as categorized by "All Refinitiv Lipper Index Components" as of 12/31/2019. Data is month end for all funds in existence for either all or part of the defined period.

## Equities

During the quarter, U.S. equity markets continued to recuperate from the precipitous selloff in the first quarter. Since the selloff bottomed on March 23, domestic equities (as measured by the S&P 500 Index) have gained 51.75% and reached new all-time highs in early September.[8]

Chart 2: The S&P 500 Index




Source: Bloomberg Finance, L.P.

Mega-cap technology companies and multiple expansion (i.e., higher P/E ratios) have been among the main drivers to the market's recovery.[9] However, it's important to remember that equity markets are a discounting mechanism and are always forward-looking. This is an important fact to mention because with low rates and low U.S. Treasury yields, discounting future cash flows with current low rates leads to higher prices for stocks and can generate frothy P/E multiples. Because the Fed recently indicated that they didn't see rates increasing until 2023,[10] the market may be in a period of elevated P/E multiples for quite some time.

Additionally, the Fed has changed its posture on inflation and is prepared to let inflation run above long-term targets,[11] aiding to the low rates for longer mentality. Near-zero interest rates will be bullish for equities and will likely keep P/E multiples unnervingly high. Even with all of this said, although equity markets rebounded quickly, earnings remain below levels seen in the first quarter of this year.[12]

As mentioned above, the upcoming elections are a large concern. Historically speaking, the stock market has been a strong predictor of election outcomes. Going back to 1928, if stocks are positive in the three months leading up to an election, the incumbent party has won nearly 90% of the time.[13] Of course, history does not guarantee future results, but if history is any guide, October's stock market performance could shed some light on the outcome of the election.

In terms of our investment strategy, CEF discounts widened slightly during the quarter in the domestic and international equity areas. Despite the slight widening, we found opportunities to reduce our CEF exposure in funds that witnessed discount narrowing. We ended the quarter roughly 35% in domestic CEFs, 45% in international focused CEFs, and have ample purchasing power in index related securities and liquid cash alternatives. As 2020 comes to a close, we anticipate heightened volatility and year-end tax-loss selling, which could produce buying opportunities and potentially increase our CEF holdings.

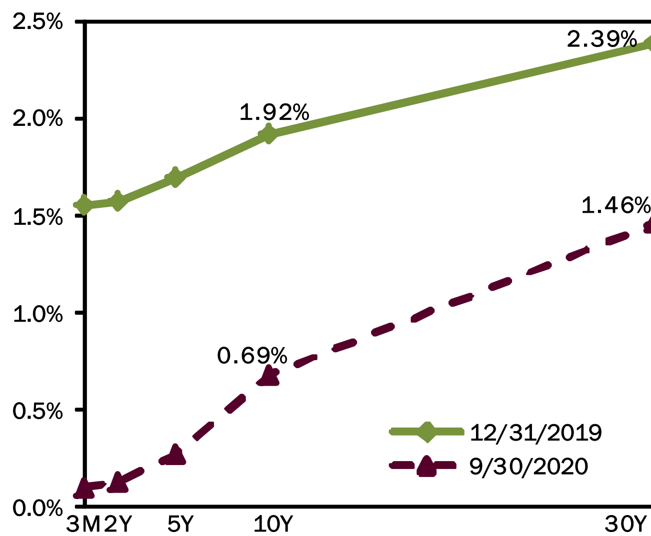
Domestically, we still favor a slight overweight to growth and technology areas, as we believe the long-term trend is still intact regardless of recent rotation. However, portfolios maintain exposure to cyclical-value areas through dividend-focused CEFs purchased at wide discounts that we believe should benefit as the economy recovers. On the international side, we reduced our exposure to global focused CEFs to increase our allocation to Europe and emerging market regions due to a weakening U.S. dollar.

## Taxable Fixed Income

During the third quarter, our taxable fixed income portfolios continued to benefit from the recovery seen in the second quarter. Current portfolio positioning is allocated to taxable fixed income CEFs, municipal CEFs, senior notes, SPACs, and index related holdings.

With respect to CEFs, we saw several taxable fixed CEF discounts narrow significantly during the quarter and we actively reduced positions in many funds. While several CEFs remain attractive to us, we were net sellers of taxable CEFs over the quarter and continue to purchase municipal CEFs for taxable portfolios because of what we believe are attractive relative yields and discount levels. Because we've been net sellers of taxable CEFs for the quarter, you may notice some index related securities as we wait for what we deem to be more exciting discount opportunities. This is a key element of our strategy as we "lock in" gains from discount narrowing while building up reserves for the next discount widening cycle.

**Chart 3: The U.S. Treasury Yield Curve**




Source: Bloomberg Finance, L.P.

Next, we've seen senior notes issued by business development companies continue to recover. We believe they are largely priced efficiently relative to the strength of their parent company. Many notes have returned to trading above par while some lag below par as the parent companies have more 'work to do' to recover from the downturn seen in March. We continue to be confident in the protections afforded by the Investment Company Act of 1940 Act and expect our senior note positions to remain current and mature on schedule. With these thoughts, we continue to buy on weakness.

Lastly, SPACs continue their surge in popularity with a steady stream of both new initial public offerings and acquisitions. In turn, we've seen some lower yields as non-traditional SPAC buyers enter the market. Despite this, we continue to find what we believe to be considerable value at the short end of client portfolios relative to other short-duration securities of similar quality.

On top of each of these areas, we have engaged with fund management on a couple of holdings to address persistent fund discounts and other concerns. We are hopeful that our engagement will prove to be value enhancing for these holdings.

## Tax-Sensitive Fixed Income

At the beginning of Q3, we took advantage of the strength in the bond market and reduced our municipal CEF holdings from roughly 70% to 60%. We have since been rotating out of funds at narrow discounts in favor of similar high quality funds at wider discounts.

Collectively, municipal bond CEFs are earning tax-free income of about 4.29% on average[14] (or 7.24% taxable equivalent at the highest marginal tax rate). In our opinion, the ability to borrow (or use leverage) at historically low rates has enabled this phenomena. This is incredibly attractive given the yield on a 30-year taxable Treasury bond is only 1.46%.[15] In other words, depending on an investor's tax bracket, investors in the municipal bond CEFs are earning just under 5 times (on average) versus what an investor would earn in a 30-year Treasury bond. And with discounts remaining wider than their historical average, we believe investors in municipal bond CEFs will continue to enjoy high levels of tax-free income, as they patiently wait for discounts to narrow toward their long-term averages.

We believe there are 3 strong tailwinds to propel client portfolios going forward. First, as mentioned, we don't believe that the high levels of tax-free income that we have seen can be realized in any comparable investment that we know of. Second, municipal bonds remain cheap relative to Treasury bonds, as yields on AAA-rated muni bonds continue the unusual trend of being higher than comparable Treasury bonds.[16] And third, discounts on municipal bond CEFs remain wider than their long-term averages. Combined, we think these reasons provide a strong foundation to help you reach your goals in the tax-sensitive fixed income area in 2020 and beyond.

## Conclusion

There are many changes that are happening in the marketplace, the economy, and in our company. Although our merger with CLIG marks a new chapter for Karpus, our strategy and objectives remain the same. We will continue to be centered around: (1) providing you the best possible client experience, and (2) seeking the most attractive risk-adjusted returns.

If you have any questions about your portfolio or have any other concerns, please don't hesitate to contact your relationship manager. As always, we thank you for your business and continued confidence in us and we look forward to serving your needs for years to come.

## Privacy Policy Notice

Please note that our annual Privacy Policy notice is also being provided along with this newsletter. There have been no material changes to the notice nor is it anticipated that any material changes will be made in light of the merger with CLIG.

Notes: The opinions and analysis expressed in this newsletter are those of Karpus Investment Management staff, are subject to change based on evolving market and economic conditions, and are not guarantees of future performance. All Karpus composite performance results and associated disclosures are available upon request.

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Karpus Investment Management

# KARPUS INVESTMENT MANAGEMENT

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b. Information you provide Karpus Investment Management directly about your personal finances or personal circumstances or which Karpus Investment Management may receive from brokerage statements or other information you authorize Karpus Investment Management to receive.

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