The Discount Perspective

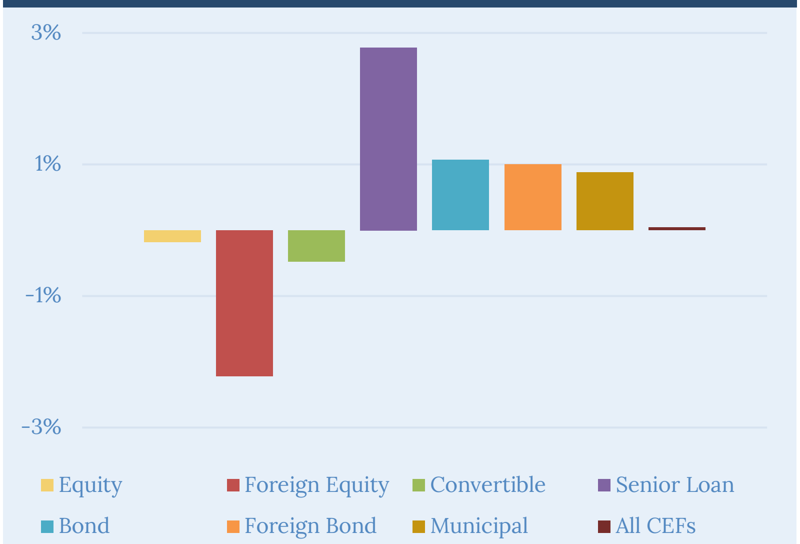
February 2026

Herzfeld ADVISORS

About Us

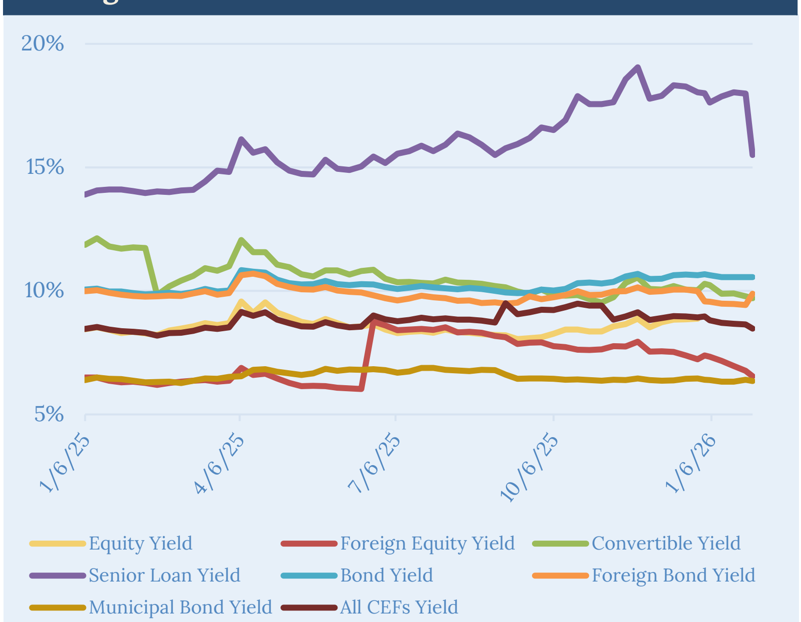
Over more than four decades in business, Herzfeld Advisors has built deep and enduring relationships across the closed-end fund universe, providing us with what we believe to be unique access to a broad range of industry participants. Widely regarded as a pioneer in the space, we have long served as a resource to the CEF ecosystem, offering insight and guidance to academics, government agencies, financial institutions, and fellow closed-end fund managers alike.

Change in Premium/Discount Month over Month



Source: Bloomberg

Average CEF Yields



Source: Bloomberg

Current CEF Trends

- To start 2026, January closed with average closed-end fund discounts widening by ~4 bps and yields compressing by ~48 bps month over month. These moves reflect, amongst other things, renewed investor positioning and early portfolio reallocations following year-end dislocations and tax-loss selling.
- The most pronounced discount widening occurred in the Senior Loan sector, encompassing both traditional loan funds and CLO-focused strategies. On average, senior loan fund discounts widened by 2.78%, while yields compressed by -2.50%. Within CLO-focused CEFs, most funds reported NAV declines of approximately 3–5% in December, reflecting volatility driven by broader loan market weakness and evolving interest rate expectations.
- In contrast, the most significant discount tightening occurred in the Foreign Equity CEF sector. On average, discounts tightened by -2.22% and yields decreased by -0.84%, driven by improved relative valuations, a weaker U.S. dollar, and continued investor interest in international equities.
- Across all sectors, CEFs yields saw an average decline of 0.48%. Foreign Bond funds—which include high yield, multi-sector, emerging debt, government debt, preferreds, and corporate debt, saw the largest increase in yields, at 0.31% while Senior Loan funds had the sharpest decline at -2.50%.

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