

CLIENT ALERT

Reminder: MDFP Disclosures Required in Registered Closed-End Fund Annual Reports Beginning August 1, 2021

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On April 8, 2020, the Securities and Exchange Commission (the “SEC”) adopted rule and form amendments (“Final Rules”) that modified the registration, offering and communications processes used by business development companies and registered closed-end management investment companies (“Registered CEFs”).¹ While the effective date of the Final Rules was August 1, 2020, the SEC adopted compliance dates for certain new requirements under the Final Rules to provide a transition period after the effective date.

Under the Final Rules, an annual report filed by a Registered CEF on or after August 1, 2021 must include the management’s discussion of fund performance (“MDFP”) disclosures required under Form N-2, as amended by the Final Rules.² These MDFP disclosures are comparable to those that registered open-end funds (other than money market funds) are required to include in their annual reports under Form N-1A.³ The MDFP disclosures required for Registered CEFs include:

- *MDFP Narrative.* A discussion of factors that materially affected the Registered CEF’s performance during the most recently completed fiscal year, including the relevant market conditions and the investment strategies and

¹ See Securities Offering Reform for Closed-End Investment Companies SEC Release No. 33-10771 (April 8, 2020), 85 FR 33290 (June 1, 2020), available [here](#).

² See Instruction 4(g) to Item 24 of Form N-2. Form N-2 is available [here](#).

³ See Item 27(b)(7) of Form N-1A. Form N-1A is available [here](#).

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techniques used by the Registered CEF. Many Registered CEFs currently include this disclosure or similar disclosure voluntarily.

- *Graphical Representations of Historical Performance.*
 - (1) A line graph comparing the initial and subsequent account values at the end of each of the most recently completed 10 fiscal years of the Registered CEF (or for the life of the Registered CEF, if shorter) as well as those of an appropriate broad-based securities market index⁴ for the same period based on an initial \$10,000 investment (or the Registered CEF's required minimum initial investment if that amount exceeds \$10,000).
 - (2) A table of the Registered CEF's average annual total returns for certain periods.
- *Impact of Fund Distribution Policies.* A discussion of the effect of any policy or practice of maintaining a specified level of distributions to shareholders on the Registered CEF's investment strategies and per share net asset value during the last fiscal year, and the extent to which the Registered CEF's distribution policy resulted in distributions of capital.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

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⁴ The definition of "appropriate broad-based securities index" is the same under both Form N-1A and amended Form N-2. Prior to the Final Rules, Registered CEFs (unlike registered open-end funds) were not required to reflect performance of an "appropriate broad-based securities market index" in annual reports.