

Fitch: Largest MLP Closed-End Funds Offer 'Model' Funding Strategy

Written by Australian Business

NEW YORK--([BUSINESS WIRE](#))--The funding strategies of larger closed-end funds (CEFs) investing in master limited partnerships (MLP) may serve as a model for other taxable CEFs, according to a Fitch Ratings report.

MLP CEFs pursue a diversified funding strategy, utilizing bank borrowings for short-term cash needs (9% of leverage on average), balanced with longer-term issuance of senior notes (62% of leverage) and preferred stock (24% of leverage). The full report 'MLP Closed-End Funds: A Capital Structure Case Study' is complementary and may be downloaded at the link below.

Fitch notes that other taxable CEFs are gradually adopting a similar funding strategy, in order to take advantage of higher leverage capacity available with preferred stock (50% maximum vs. 33% with debt), lengthen their liabilities to better match portfolio durations, diversify across investor types, and access longer-term fixed financing to hedge against rising rates.

Fitch rates approximately \$9.3 billion of notes and preferred shares issued by US leveraged taxable CEFs, currently in the 'AAA', 'AA' and 'A' categories.

Opt-in to receive Fitch's forthcoming research on CEFs: <http://pages.fitchemail.fitchratings.com/FAMCEFBBlankOptin/>

Additional information is available at ' www.fitchratings.com '.

Applicable Criteria and Related Research:

--'MLP Closed-End Funds: A Capital Structure Case Study' (Dec. 2013);

--'Capital Link Webcast Slides' (Sept. 2013);

--'Closed-End Funds Weather Rate Rise' (Aug. 2013);

--'Basel III to Affect Taxable Closed-End Funds' (June 2013);

--'Taxable Closed-End Funds Dashboard' (June 2013);

--'Rating Closed-End Fund Debt and Preferred Stock' (Aug 2013).

Applicable Criteria and Related Research: MLP Closed-End Funds: A Capital Structure
Case Study

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=723839

Capital Link Webcast Slides

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=719661

Closed-End Funds Weather Rate Rise (Loan Funds Sail through Volatility, Bond Funds
Diverge)

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=716415

Basel III to Affect Taxable Closed-End Funds (Impact Muted by Short Tenor and High Quality of Taxable CEF Bank Loans)

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=710198

Taxable Closed-End Funds Dashboard

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=709358

Rating Closed-End Fund Debt and Preferred Stock

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=716220

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: <HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS>. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '

<WWW.FITCHRATINGS.COM>

' PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.