My name is Ron Mass and I am the Chief Investment Officer of Almitas Capital, a registered investment advisor based in Santa Monica, California that invests in closed-end funds (CEFs) in the U.S. and other countries. I have been an investor in CEFs for almost 35 years and have also previously served as a CEF manager during my career at Western Asset Management. I believe that this provides me with a nuanced perspective of the industry and the potential positives and negatives to any proposed changes to the governance of U.S. CEFs. With that in mind, it is my opinion that the current NYSE proposal to amend Section 302 to exempt CEFs registered under the 1940 Act from the requirement to hold annual shareholder meetings is wrongheaded and will hurt all shareholders to the likely benefit of CEF managers.

This proposal is fundamentally undemocratic. Would the good people at the NYSE and other investors in favor propose that the officials elected to federal office this November remain in power indefinitely, a complete abrogation of electoral precedent? Why should CEFs be treated any differently? Are CEF managers a protected class that should be afforded deference by investors and regulators, and should not be held accountable by their shareholders? Why does this proposal only apply to CEFs and not the business development companies (BDCs) listed under Section 102.04 of the NYSE Listed Company Manual? It is not made clear in this proposal why the SEC should support such a narrowly defined change and how this benefits the average shareholder of a CEF.

It seems like the current proposal was advanced by parties with vested interests in closed-end fund management who are dissatisfied with the increased level of investor activism in the sector and want to protect their management fees. I am not an activist investor, but I am unafraid to speak with directors and fund managers of CEFs, and share my opinions on aspects including fund performance, management fees, and discounts to Net Asset Value (NAV). CEF directors have a fiduciary duty to act in the best interest of the fund owners, the shareholders. However, with directors of the larger CEF managers 1) serving on 50 or more boards of the same fund complex, 2) serving for a period of ten, twenty, or more years, and 3) earning compensation of $600,000 or more across the fund complex, it becomes difficult to believe that directors can maintain their independence. As the late Charlie Munger was wont to say, “Show me the incentive and I will show you the outcome”.

Given this conflict and the unwillingness of some directors to act in the best interest of shareholders, these shareholders should be able to vote in directors that will hold management accountable. I acknowledge that this can lead to the shrinking of the universe of CEFs traded in the U.S. in the short-term, which I view with mixed feelings; on the one hand, it reduces a sector of the market that can be highly attractive for investment that I have known for most of my professional career, but on the other, it does generally lead to better outcomes for all shareholders.

The U.S. CEF market has issues that need to be addressed, however, this proposal does nothing to improve director independence and remove conflicts of interest that are the most glaring problems facing the industry today. CEF markets elsewhere, particularly the U.K., address inherent conflicts of interest between fund managers and investors by 1) specifically limiting the number of funds from the same fund complex on which a director can serve, 2) limiting directors

to terms of no more than ten years after which time they are no longer considered “independent”, and 3) requiring directors to be elected annually by a simple majority of those voting. U.S. investors and fund managers that might have concerns about “activist raiders” should look to the U.K. CEF market as a parallel for what can happen when shareholders are afforded the deference of strong corporate governance. The U.K. CEF market today is much more vibrant than that of the U.S.; yes, there is fund activism that leads to fund mergers and liquidations, however, there is also a much greater degree of IPO activity in the U.K. The U.K. CEF market, having more than doubled in size over the past ten years, is now 70% larger than the U.S. market which has seen assets decline over this same time period.

U.K. CEF managers are regularly held to account, directors have better alignment with shareholders, and there is a general understanding of the fiduciary duty owed to shareholders to ensure that shareholder interests are placed before those of the manager. It is my contention that the way to improve the U.S. CEF market for *all shareholders* is to adopt measures similar to the U.K., not to take a step backwards by stripping shareholders of what precious few protections and checks on fund managers that they are currently afforded.

I want to emphasize that I am a proponent of protecting the average CEF investor. As others have noted in comment letters already posted, CEFs have traditionally been sold to retail investors. The average CEF owner does not have a lobbyist that they can contact to change the rules for their benefit. The average CEF investor does not fear “activist raiders” taking over the CEF in which they’re invested; in fact, they probably cheer them on as they are freed from the tyranny of a fund trading at a perpetual discount to NAV. The average CEF investor is a teacher, a firefighter, a nurse, just trying to find solid investments that can help see them through a comfortable retirement. While I am normally reticent to publicly comment on any topic, I feel that it is necessary to speak up on behalf of these shareholders who may not even be aware of the proposed changes.

Ultimately, I fear that this proposal risks losing investor confidence in the SEC should it be approved. It does not seem clear to me that this proposal was urged on by the average CEF investor, rather by industry insiders that dislike being held to account for underperformance in high-fee vehicles. SROs should not be able to gain approval for lobbyist-backed efforts to disenfranchise shareholders and strip them of their most basic rights – plain and simple.

At the end of the day, I only want what is fair for all shareholders, and the current proposal submitted by the NYSE is patently unfair and should not be approved.

Best regards,

Ronald Mass

Almitas Capital