Capital Link's
CEF & ETF Monthly Newsletter

DECEMBER 2013
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Capital Link's Closed-End Funds & Global ETFs Webinar Series

Closed-End Funds Industry Roundtable

Date: Tuesday, January 14, 2014
Time: 11:00 AM - 12:00 PM ET

Join us for a complimentary webinar!

Register Now

Topics of Discussion:

- CEF market activity update
- CEF asset classes investors are interested in now
- Various asset classes year to date performance
- Raising awareness and understanding of CEFs among advisors and investors
- Primary drivers of current CEF IPO and secondary market activity
- New product development trends in today's market place

Featured Speakers

Moderator:

- **Mariana Bush, CFA** - *Senior Analyst,* Wells Fargo Advisors

Panelists:

- **Robert F. Bush, Jr,** *Senior Vice President, Director of Closed-End Fund Products,* Calamos Investments
- **Jon Diorio,** *Director- Product Management and Development Group,* BlackRock
- **Richard A. Joslin,** *Vice President - Closed-End Fund Management and Securities Lending*, Deutsche Asset & Wealth Management
- **Michael Taggart,** *Vice President, Director of Closed-End Fund Research,* Nuveen Investments

NOTE: This webinar will be made available for replay after the live broadcast.

***Participants can submit questions prior to or during the event through the special feature on the event page or by emailing Capital Link at questions@capitallink.com.**

The Month in Closed-End Funds: November 2013

PERFORMANCE

For the first month in three equity and fixed income CEFs went their separate ways, with equity funds remaining in the black for November, gaining on average 0.50% on a NAV basis, while fixed income CEFs lost 0.13%. Both asset classes posted monthly market-based returns that were in the red, losing 0.47% and 2.64%, respectively. The average CEF investor shrugged off a new set of record highs in the broad-based indices—pushed up by better-than-expected economic news—and took some of those hard-won profits off the table, while perhaps doing a little tax-loss selling ahead of the New Year. Better-than-expected ISM numbers and nonfarm payrolls reports, along with a rise in personal income and retail sales, helped push the Dow Jones Industrial Average and the S&P 500 to new highs during the month but also caused some investors to raise fresh concerns about the Federal Reserve's tapering its monthly bond purchases, perhaps sooner than expected. Supporting the idea that bad news is good news, at least as far as Fed tapering is concerned, the mid-month reports that industrial production declined for October, existing home sales dropped 3.2% for October, and new orders for durable goods waned perversely helped the Dow and the S&P 500 hit their eighth consecutive weekly gains during the month.

Dovish comments by Janet Yellen, the nominee for the head Fed position, during her confirmation hearing provided some support for the bulls toward month-end. Yellen stated that she believes the Fed has more work to do to support the economy, leading many to believe that quantitative easing could continue for quite some time. With retail sales rising 0.4% for October and with Black Friday results around the corner, the S&P 500 jumped once again to an all-time high on November 27, closing at 1,807.23—for its forty-first record close of the year. The DJIA also hit a new high on that day, closing at 16,097.43.

Longer-dated Treasury debt declined on the better-than-expected ISM and nonfarm payrolls news, with many investors speculating that the U.S. recovery was progressing at a better pace than was originally thought and that the Fed may need to cut back on its $85-billion monthly asset purchases. The ten-year Treasury yield rose to 2.80%—a bimodal closing high on November 12 and November 20— before gradually losing some ground and closing at 2.75% on November 29—11 bps above its October month-end value. In the last few days of trading for the month the Treasury auction was well received after investors learned that existing-home sales came in lower than expected and that the consumer confidence index fell to its lowest point since April. Nonetheless, except for maturities between two and five years, the Treasury yield curve shifted up, with the twenty- and thirty-year yields climbing the most—13 bps each—to 2.75% and 3.54%, respectively, on November 29.

For November the dollar weakened modestly against the euro (-0.07%) and the pound (-1.96%), but it gained against the yen (+4.39%). For the third consecutive month commodities prices were on the decline, with the near-month crude oil price dropping 3.80% to close the month at $92.72/barrel and with gold prices slipping 5.52% to end the month at $1,250.60/ounce.

For November 47% of all CEFs posted NAV-basis returns in the black, with 66% of equity CEFs and only 34% of fixed income CEFs chalking up returns in the plus column. News that an official gauge of Chinese factory activity showed signs of weakness for smaller manufacturers placed a pall over the global market, which contributed to the world equity CEFs macro-group's being forced to the bottom of the charts (+0.04%) for the first month in three, lagging both domestic equity CEFs (+0.60%) and mixed-asset CEFs (+0.92%).

The Month in Closed-End Funds: Nov. 2013

- For November only 7% of all closed-end funds (CEFs) traded at a premium to their net asset value, with 9% of equity funds and 6% of fixed income funds trading in premium territory. The World Equity Funds macro-group witnessed the only narrowing of discounts for the month.
- Equity and fixed income CEFs went their separate ways in November, with equity funds rising 0.50% on a NAV basis, while their fixed income counterparts suffered a loss of 0.13%.
- For the first month in four all of the municipal bond und groups posted returns in the red, with single-state municipal bond funds (0.26%) mitigating losses slightly better than their national municipal debt fund brethren (-0.36%)
- With global economics cooling slightly during the month and on uncertainty concerning the Federal Reserve's tapering plans, the world equity CEFs (-0.04%) and world fixed income CEFs (-1.70%) macro-groups were relegated to the bottom of their respective universes.

Authored by:
TOM ROSEEN
HEAD OF RESEARCH SERVICES
LIPPER, DENVER

THOMSON REUTERS

Succumbing to the Chinese factory news and continued fears of tapering during the month, 5 of Lipper's 12 equity CEF classifications posted returns in the red, with Real Estate Funds (-2.98%) and Emerging Markets Funds (-1.83%) suffering the largest declines. Given the downcast news out of China and the European Central Bank's surprise decision to cut its key lending rate from 0.50% to 0.25%, it wasn't surprising to see the world bond CEFs macro-group (-1.70%, October's leader) dropping to the bottom of the fixed income group; it underperformed taxable domestic bond CEFs (+0.42 on a NAV basis) and municipal bond CEFs (-0.31%).

As investors became slightly more focused during the month on economic events and on the likelihood of future Fed actions, they began to avoid interest rate-sensitive issues and riskier asset classes, sending Utility Funds (-1.51%), Natural Resources Funds (-0.54%), and Pacific ex-Japan Funds (-0.40%) to the cellar. As investors turned their back on some global issues, they embraced domestic equity issues, pushing Core Funds (+2.42%) to the top of the charts, along with Options Arbitrage/Options Strategy Funds (+1.78%) and Convertible Securities Funds (+1.62%). For the remaining equity classifications returns ranged from 0.11% (Sector Equity Funds) to 1.54% (Value Funds).

Three of the five top-performing individual equity funds were housed in Lipper's Sector Equity CEFs classification, with health/biotechnology-focused funds remaining at the top of the charts for November. At the top of the list was **H&Q Life Sciences Investors (NYSE: HQL,** housed in Lipper's Sector Equity CEFs classification**)**, gaining 6.68% on a NAV basis and traded at a 3.80% discount at month-end. Following HQL were **ENGEX INC (OTC: EXGI,** housed in Lipper's Core CEFs classification and one of October's leaders**)**, rising 6.54% on a NAV basis, and **H&Q Healthcare Investors (NYSE: HQH,** also housed in Lipper's Sector Equity CEFs classification**)**, posting a 6.23% return and traded at a 1.76% premium on November 29. Following those two were **John Hancock Financial Opportunities Fund (NYSE: BTO**, housed in Lipper's Sector Equity CEFs classification**)**, chalking up a 6.04% return and traded at a 4.71% discount at month-end, and despite concerns over China's factory news **Morgan Stanley China A Share Fund, Inc. (NYSE: CAF,** housed in Lipper's Pacific ex-Japan CEFs classification**)** rose 5.58% and traded at a 4.54% discount on November 29.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 10.82% to positive 6.68%—was slightly narrower than October's spread but more negatively skewed. The 20 top-performing equity funds posted returns in excess of 3.35%, while the 20 lagging funds were at or below minus 3.25%.

For the month **ASA Gold & Precious Metals Limited (NYSE: ASA)**, housed in Lipper's Sector Equity CEFs classification, was at the bottom of the equity CEFs group, shedding 10.82% of its October month-end value and trading at a 1.54% discount on November 29. **Thai Fund, Inc. (NYSE: TTF,** warehoused in Lipper's Pacific ex-Japan CEFs classification**)** was the next poorest performing equity fund, declining 9.95% and traded at a 10.92% discount at month-end.

CLOSED-END FUNDS LAB

TABLE 1 CURRENT-MONTH PERFORMANCE, P&D, P&D SHIFTS (% OF UNIVERSE)

	NAV RETURNS POSITIVE	PREMIUM/DISCOUNT		NOW TRADING AT	
		BETTER	WORSE	PREMIUM	DISCOUNT
Equity Funds	66	29	69	9	91
Bond Funds	34	6	94	6	94
ALL CEFS	**47**	**15**	**84**	**7**	**93**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	NOVEMBER	YTD	3-MONTH	CALENDAR-2012
Equity Funds	0.50	14.12	6.98	15.42
Bond Funds	-0.13	4.34	4.34	15.04
ALL CEFS	**0.11**	**4.47**	**5.37**	**15.18**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	NOVEMBER 2013	CALENDAR-2012
ALL CEFS	**30**	**31**

TABLE 4 AVERAGE SIZE OF IPOs, SELECTED PERIODS, $MIL

3 MONTHS THROUGH 10/31/2013	175
COMPARABLE YEAR-EARLIER 3 MONTHS	590
CALENDAR 2012 AVERAGE	506

Source: Lipper, a Thomson Reuters company

For the second month in four none of Lipper's municipal debt CEF classifications posted plus-side NAV-based returns as investors continued to anticipate Fed tapering and remained concerned over a default on Puerto Rico municipal debt. Pennsylvania Municipal Debt Funds (-0.18%) mitigated losses better than the other classifications in the group, while General & Insured Municipal Debt Funds [Leveraged] (-0.37%), Intermediate Municipal Debt Funds (-0.36%), and High Yield Municipal Debt Funds (-0.35%) suffered the largest losses. The municipal debt funds macro-group (+0.31%) underperformed its taxable domestic CEFs counterpart (+0.42%). Single-state municipal debt funds (-0.26%) mitigated losses better than their national municipal debt fund counterparts (-0.36%).

As uncertainty began to expand in the world markets, the two classifications making up Lipper's World Income Funds macro-group (-1.70%) lagged the other fixed income groups. Emerging Markets Debt Funds (-3.16%, one of October's leaders) significantly lagged its Global Income Funds (-0.84%) counterpart. With fears of rising interest rates coming to a boil again (for now), the adjustable-rate Loan Participation Funds classification (+0.66%, October's taxable laggard) became the taxable group's second best performing classification, just behind High Yield Funds (+0.67%). Investors once again bid up High Yield Funds (Leveraged) (+0.65%) to the third best position in the domestic taxable universe for November. Better-than-expected economic reports at the beginning of the month pushed yields higher. The two-/ten-year Treasury spread widened 21 bps from October's month-end 2.26%. The yield on the ten-year Treasury note finished the month 11 bps higher at 2.75%.

In the domestic taxable fixed income CEFs universe (+0.42%) the remaining classification returns ranged from minus 0.35% (Corporate BBB-Rated Debt Funds) to positive 0.37% (General Bond Funds).

The top-performing CEF in the fixed income universe was housed in Lipper's High Yield Funds (Leveraged) classification: **NexPoint Credit Strategies Fund (NYSE: NHF,** also October's fixed income leader**)** rose 10.83% and traded at a 16.54% discount on November 29. Following NHF were **PIMCO High Income Fund (NYSE: PHK,** housed in Lipper's General Bond CEFs classification**)**, tacking 1.41% onto its October month-end value and traded at a 49.03% premium at month-end, and **Invesco Dynamic Credit Opportunities Fund (NYSE: VTA,** housed in Lipper's Loan Participation CEFs classification**)**, posting a 1.37% return and traded at an 8.20% discount on November 29.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 5.58% (**Stone Harbor Emerging Markets Total Income Fund [AMEX: EDI]**, housed in Lipper's Emerging Markets Debt CEFs classification and traded at a 7.48% discount) to 1.29% for **Avenue Income Credit Strategies Fund (NYSE: ACP)**, housed in Lipper's High Yield Funds (Leveraged) classification and traded at a 10.03% discount on November 29. The 20 top-performing fixed income CEFs posted returns at or above 0.83%, while the 20 lagging funds were at or below minus 1.36%

PREMIUM AND DISCOUNT BEHAVIOR

For November the median discount of all CEFs widened 157 bps to 10.13%—considerably lower than the 12-month moving average discount (4.97%). Equity CEFs' median discount widened 59 bps to 10.15%, while fixed income CEFs' median discount widened a whopping 230 bps to 10.11%. Municipal bond funds' median discount widened 290 bps to 10.79%. Of the two breakouts national municipal debt funds experienced the largest widening of discount, 283 bps to 10.31%, while single-state municipal debt funds' discount widened 263 basis points to 11.20%. World Equity Funds witnessed the only narrowing of discounts in the CEF universe, narrowing 2 bps to 10.36%.

For the month 15% of all funds' discounts or premiums improved, while 84% worsened. In particular, 29% of equity funds and just 6% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on November 29 (43) was 25 fewer than on October 31.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

Goldman Sachs launched its first CEF, **Goldman Sachs MLP Income Opportunities (NYSE: GMZ)**. The fund raised $826.3 million in its initial public offering, which could go as high as $950.1 million if underwriters exercise their overallotment options in full.

An interval hybrid fund from Emerging Global Advisors, **EGA Frontier Diversified Core Fund** (no ticker symbol), was launched in early November. By the end of November it had not raised any outside capital.

RIGHTS, REPURCHASES, TENDER OFFERS

Preliminary results for the annual 10%- (just under 1 million shares) repurchase offer for **BlackRock Enhanced Government Fund (NYSE: EGF)** indicated that approximately 4.3 million shares were validly tendered on a *pro rata* basis investors may see 23% of their shares redeemed. The discount on EGF widened 2 percentage points in November to end at 6.6%.

Trustees for each of Nuveen's 103 CEFs approved an open-market share repurchase program for them. Effective immediately, all of Nuveen's CEFs may repurchase at management's discretion up to 10% of each fund's outstanding common shares in open-market transactions.

Directors of **Petroleum & Resources (NYSE: PEO)** voted to extend the fund's share repurchase program for up to 5% of the fund's common shares (about 1.3 million shares) through December 31, 2014. The plan is subject to management discretion, if and when the shares are trading at a discount of at least 10%. The discount on PEO was stable in November and ended at 15.0%.

Trustees of **Eaton Vance Risk-Managed Diversified Equity Income Fund (NYSE: ETJ)** authorized a conditional one-time cash tender offer (with a 4% redemption fee) for 10% of the fund's shares, if the fund's discount averages more than 9.75% for any of the months of February, March, April, or May 2014. The tender offer would commence within 30 days of the end of the month in which the triggering event occurred. The discount on ETJ widened in November to end at 11.3%.

CEF Events and Corporate Actions

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Authored by:
JEFF TJORNEHOJ
HEAD OF LIPPER AMERICAS RESEARCH LIPPER, DENVER

Trustees and directors of **Eaton Vance California Municipal Bond Fund (NYSE: EVM), Eaton Vance California Municipal Bond Fund II (NYSE: EIA), Eaton Vance California Municipal Income Trust (NYSE: CEV), Eaton Vance Floating-Rate Income Plus Fund (NYSE: EFF), Eaton Vance Floating-Rate Income Trust (NYSE: EFT), Eaton Vance Limited Duration Income Fund (NYSE: EVV), Eaton Vance Massachusetts Municipal Bond Fund (NYSE: MAB), Eaton Vance Massachusetts Municipal Income Trust (NYSE: MMV), Eaton Vance Michigan Municipal Bond Fund (NYSE: MIW), Eaton Vance Michigan Municipal Income Trust (NYSE: EMI), Eaton Vance Municipal Bond Fund (NYSE: EIM), Eaton Vance Municipal Bond Fund II (NYSE: EIV), Eaton Vance Municipal Income Term Trust (NYSE: ETX), Eaton Vance Municipal Income Trust (NYSE: EVN), Eaton Vance National Municipal Opportunities Trust (NYSE: EOT), Eaton Vance New Jersey Municipal Bond Fund (NYSE: EMJ), Eaton Vance New Jersey Municipal Income Trust (NYSE: EVJ), Eaton Vance New York Municipal Bond Fund (NYSE: ENX), Eaton Vance New York Municipal Bond Fund II (NYSE: NYH), Eaton Vance New York Municipal Income Trust (NYSE: EVY), Eaton Vance Ohio Municipal Bond Fund (NYSE: EIO), Eaton Vance Ohio Municipal Income Trust (NYSE: EVO), Eaton Vance Pennsylvania Municipal Bond Fund (NYSE: EIP), Eaton Vance Pennsylvania Municipal Income Trust (NYSE: EVP), Eaton Vance Senior Floating- Rate Trust (NYSE: EFR), Eaton Vance Senior Income Trust (NYSE: EVF), Eaton Vance Short Duration Diversified Income Fund (NYSE: EVG), Eaton Vance Tax-Advantaged Bond and Option Strategies Fund (NYSE: EXD), Eaton Vance Tax-Advantaged Dividend Income Fund (NYSE: EVT), Eaton Vance Tax- Advantaged Global Dividend Income Fund (NYSE: ETG),** and **Eaton Vance Tax-Advantaged Global Dividend Opportunities Fund (NYSE: ETO)** have authorized the repurchase by each fund of up to 10% of its outstanding common shares as of November 11, 2013, in open-market transactions at a discount to NAV per share. Each fund's repurchase activity (such as the number of shares purchased and the discount to NAV) will be disclosed in each fund's annual and semiannual reports.

MERGERS AND REORGANIZATIONS

Directors of four Nuveen New Jersey municipal CEFs approved a merger, subject to shareholder approval at the annual shareholder meetings in mid-2014. **Nuveen New Jersey Investment Quality Municipal Fund (NYSE: NQJ), Nuveen New Jersey Premium Income Municipal Fund (NYSE: NNJ)**, and **Nuveen New Jersey Dividend Advantage Municipal Fund 2 (NYSE: NUJ)** will merge into **Nuveen New Jersey Dividend Advantage Municipal Fund (NYSE: NXJ)**.

Directors of **Boulder Total Return Fund (NYSE: BTF), The Denali Fund (NYSE: DNY), First Opportunity Fund (NYSE: FOFI)**, and **Boulder Growth & Income Fund (NYSE: BIF)** approved the mergers of BTF, DNY, and FOFI into BIF, subject to shareholder approval and certain other conditions. Directors expect the mergers will be completed in second quarter 2014.

BlackRock Advisors announced special distributions for **BlackRock Senior High Income Fund (NYSE: ARK), BlackRock Strategic Bond Trust (NYSE: BHD)**, and **BlackRock Debt Strategies Fund (NYSE: DSU)** in connection with the reorganization of ARK and BHD into DSU.

OTHER

Trustees of **Nuveen AMT-Free Municipal Income Fund (NYSE: NEA), Nuveen Dividend Advantage Municipal Fund (NYSE: NAD), Nuveen Arizona Premium Income Municipal Fund (NYSE: NAZ), Nuveen Michigan Quality Income Municipal Fund (NYSE: NUM)**, and **Nuveen Dividend Advantage Municipal Income Fund (NYSE: NVG)** have approved the funds' plans to refinance all of their respective MuniFund Term Preferred (MTP) shares and Variable Rate MuniFund Term Preferred (VMTP) shares. Each fund intends to finance its MTP and VMTP share redemptions with the proceeds of either newly issued VMTP shares or Variable Rate Demand Preferred (VRDP) shares. The redemptions are contingent upon the completion of all aspects of the VMTP or VRDP share placement, which may not occur as planned.

Directors of each of **The India Fund (NYSE: IFN)** and **The Asia Tigers Fund (NYSE: GRR)** approved the elimination of their interval fund structures, subject to shareholder approval. Directors have set December 6, 2013, as the record date for determining the shareholders who will be entitled to vote at a special meeting to be held on February 3, 2014. The discount on IFN was relatively unchanged in November and ended the month at 12.2%, while that of GRR narrowed about 1 percentage point to 8.2%.

Directors of **The Singapore Fund (NYSE: SGF)** have approved a name change, effective November 1, to **Aberdeen Singapore Fund.** The fund's investment objective and ticker remain the same. The fund's discount held steady in November at around 10.6%.

CEF Performance Statistics

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Category	Average of 1MO NAV Change	Average of 1MO MKT Change	Average P/D 10/31/2013	Average P/D 11/30/2013	Average of 1 MO P/D Change	Average of YTD NAV Change	Average of YTD MKT Change	Average of YTD P/D Change
California Municipal Debt Funds	0.8%	4.9%	-4.26	-7.96	-3.7	-10.4%	-17.7%	-8.2
Convertible Securities Funds	-1.1%	-0.7%	-7.11	-7.47	-0.36	11.7%	11.6%	0.0
Core Funds	-1.0%	1.0%	-7.48	-9.61	-2.13	10.5%	10.5%	3.9
Corporate BBB-Rated Debt Funds(Leveraged	0.7%	1.7%	-8.33	-9.16	-0.83	-4.4%	-10.5%	-6.2
Corporate Debt Funds BBB-Rated	0.7%	0.7%	-11.38	-11.38	0	-5.6%	-12.7%	-7.3
Developed Market Funds	0.1%	0.8%	-7.82	-8.45	-0.63	19.2%	21.5%	1.9
Emerging Markets Funds	-3.4%	3.1%	-8.23	-9.28	-1.05	-3.5%	-4.1%	-0.6
Emerging Mrkts Hard Currency Debt Funds	3.7%	5.1%	-9.36	-10.57	-1.21	-14.0%	-19.9%	-6.7
Energy MLP Funds	0.1%	1.6%	-0.08	-1.63	-1.55	-10.2%	12.8%	-4.9
General & Insured Muni Debt Funds (Lever	0.9%	4.3%	-6.48	-9.58	-3.1	-12.2%	-20.4%	-9.4
General & Insured Muni Fds (Unleveraged)	0.7%	2.3%	-5.99	-7.53	-1.54	-6.8%	-12.4%	-6.0
General Bond Funds	0.2%	2.7%	-3.31	-5.84	-2.53	-10.6%	-9.5%	-6.5
Global Funds	-0.7%	-0.2%	-10.84	-11.2	-0.36	9.3%	8.6%	-1.3
Global Income Funds	1.4%	3.3%	-7.46	-9.17	-1.71	-6.7%	-14.3%	-8.1
Growth Funds	-0.5%	-2.1%	3.74	5.8	2.06	9.9%	-22.2%	11.9
High Yield Funds	-0.1%	1.4%	-5.55	-6.9	-1.35	1.7%	-4.8%	-5.5
High Yield Funds (Leveraged)	0.0%	2.0%	-5.41	-7.26	-1.85	2.4%	-4.0%	-6.5
High Yield Municipal Debt Funds	0.9%	3.4%	-3.31	-5.62	-2.31	-10.6%	-17.1%	-7.2
Income & Preferred Stock Funds	-0.2%	1.8%	-7.84	-9.64	-1.8	-10.2%	-4.5%	-5.8
Intermediate Municipal Debt Funds	0.8%	3.7%	-4.89	-7.54	-2.65	-7.6%	-14.3%	-7.8
Loan Participation Funds	-3.1%	2.5%	-3.08	-5.6	-2.52	1.9%	-4.7%	-4.5
Natural Resources Funds	2.1%	3.0%	-8.85	-9.75	-0.9	8.5%	4.6%	-4.0
New Jersey Municipal Debt Funds	0.7%	3.5%	-9.84	-12.33	-2.49	-10.5%	-22.9%	-14.2
New York Municipal Debt Funds	0.8%	3.4%	-5.68	-8.12	-2.44	-11.0%	-19.2%	-9.3
Options Arbitrage/Opt Strategies Funds	-1.3%	-0.7%	-6.54	-7.17	-0.63	9.1%	10.4%	1.1
Other States Municipal Debt Funds	0.8%	3.4%	-7.91	-10.52	-2.61	-11.3%	-23.0%	-10.1
Pacific Ex Japan Funds	0.6%	-0.7%	-10.74	-9.57	1.17	3.0%	0.6%	-2.1
Pennsylvania Municipal Debt Funds	0.7%	3.2%	-11.09	-13.46	-2.37	-11.3%	-37.2%	-9.4
Real Estate Funds	3.3%	4.1%	-8.93	-9.31	-0.38	-9.9%	-4.8%	-1.4
Sector Equity Funds	0.9%	4.0%	-5.42	-5.83	-0.41	-2.8%	-4.9%	1.4
U.S. Mortgage Funds	0.2%	2.7%	-8.92	-11.18	-2.26	-2.6%	-10.4%	-7.4
Utility Funds	2.2%	2.5%	-6.77	-6.96	-0.19	8.0%	4.0%	-3.7
Value Funds	-1.4%	-0.1%	-11.27	-12.13		18.7%	18.6%	0.6

Top 5 Performing CEFs

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Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds	ASA	13.3%	1
Thai Fund	Pacific Ex Japan Funds	TTF	11.1%	2
Aberdeen Indonesia	Pacific Ex Japan Funds	XIF	9.2%	3
First Trust Energy Infra	Natural Resources Funds	FIF	9.1%	4
Central Securities Corp	Core Funds	CET	8.9%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
New Germany Fund	Developed Market Funds	GFN	44.2%	1
NexPoint Credit Strat	High Yield Funds (Leveraged)	NHF	43.8%	2
New Ireland Fund	Developed Market Funds	IRL	40.0%	3
H&Q Healthcare Investors	Sector Equity Funds	HQH	38.8%	4
H&Q Life Sciences Invtrs	Sector Equity Funds	HQL	37.1%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
Aberdeen Chile	Emerging Markets Funds	XCH	20.2%	1
GAMCO Gl Gld NR & Inc	Sector Equity Funds	GGN	16.5%	2
Central Securities Corp	Core Funds	CET	14.8%	3
Ares Multi-Strat Crdt	High Yield Funds (Leveraged)	AMF	14.8%	4
Cornerstone Total Return	Core Funds	CRF	12.9%	5

Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
H&Q Healthcare Investors	Sector Equity Funds	HQH	50.5%	1
New Germany Fund	Developed Market Funds	GFN	47.0%	2
Gabelli Multimedia Trust	Global Funds	GGT	41.7%	3
H&Q Life Sciences Invtrs	Sector Equity Funds	HQL	36.4%	4
New Ireland Fund	Developed Market Funds	IRL	35.7%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
DoubleLine:Oppor Crdt Fd	General Bond Funds	DBL	15.1	1
Mexico Fund	Emerging Markets Funds	MXF	4.7	2
BlackRock Muni 2018	Intermediate Municipal Debt Funds	BPK	4.3	3
PIMCO CA Muni Income	California Municipal Debt Funds	PCQ	3.8	4
Tortoise Energy Cap Corp	Energy MLP Funds	TYY	3.6	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
Aberdeen Asia-Pac Inc	Global Income Funds	FAP	69.0	1
Eaton Vance Muni Bd 2	General & Insured Muni Debt Funds (Leveraged)	EIV	62.6	2
BlackRock MuniHds CA Qly	California Municipal Debt Funds	MUC	61.9	3
Nuveen VA Prem Inc Muni	Other States Municipal Debt Funds	NPV	45.0	4
Flrty&Crumrine Tot Rtn	Income & Preferred Stock Funds	FLC	27.9	5

Highlights (US$):[1,2]

Global ETP flows during November reached $15.8bn and were heavily concentrated in Developed Markets Equities as they have been throughout much of the year.

Investors' appetite for risk moderated during the month. Continued evidence of slow yet steady economic growth in the US and worldwide increased the likelihood of accommodative monetary policy for the foreseeable future. However, the window is left open just enough in the US for the Fed to consider a start to tapering during its next few meetings.

This delicate balance continued to allow stocks to advance but also left the market uncertain and apprehensive of riskier categories should the rally stall. The **BlackRock Risk Sentiment Measure**[3] was also indicative of a de-risking environment (see page 6). November readings for both Equity and Fixed Income were lower than their one-year moving average and revealed a preference for more defensive funds tracking indices such as the S&P 500, MSCI EAFE and Barclays US Aggregate Bond.

Pan-European Equities eased off the record-setting pace witnessed of late but still accumulated $3.5bn during the month. The growth continued to come from ETPs listed on both sides of the Atlantic and brought total asset gathering during the second half of the year to $24.3bn following negligible flows through June.

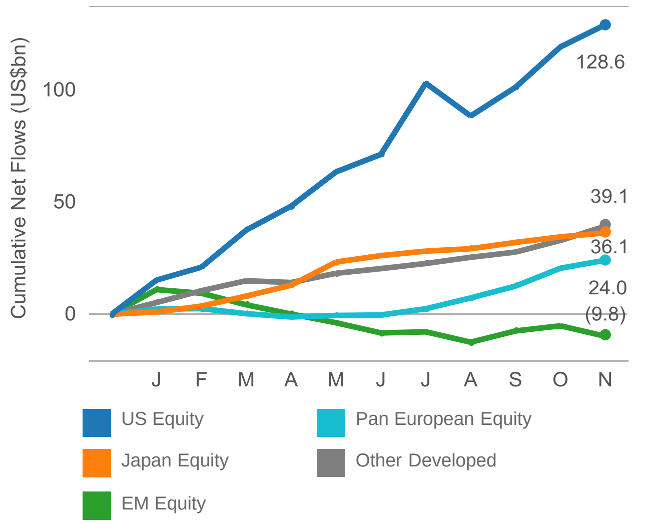
The pickup in Pan-European flows this year has by-and-large not spread to single country exposures, which saw outflows of ($1.0bn) in November. Country funds have year-to-date outflows of ($1.6bn) as some of the money attracted to German Equities in recent years has reversed – ($6.5bn) thus far in 2013. This has been partially offset by strong inflows into UK Equity funds.

After exhibiting signs of strength during the fall **Emerging Markets Equities** flows came under pressure during the first half of November. The majority of net redemptions were attributable to the impact of Fed uncertainty on broad market ETPs, which shed ($3.6bn). However, the outflows were halted toward the end of the month after a meeting of top Chinese officials to discuss social and market reforms aimed at boosting the country's economic growth was well received. This led to November inflows of $1.2bn for funds with single-country Chinese exposures.

Two other Emerging Markets countries experienced material outflows this month. Brazil, which saw outflows of ($0.7bn), has been out of favor this year while Korea, where outflows totaled ($0.8bn), has not.

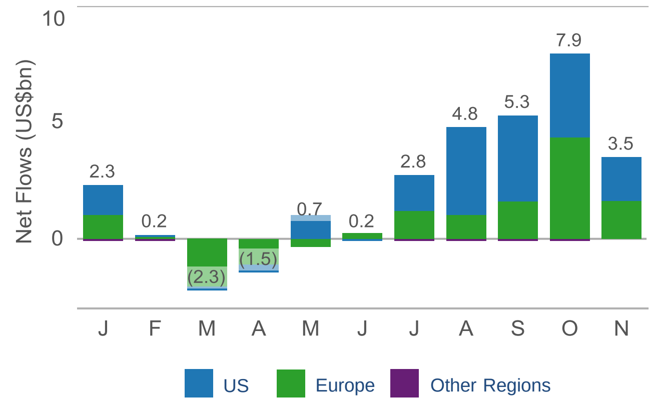
GLOBAL EQUITY CUMULATIVE ETP FLOWS[1]

2013 YTD Flows: $218.0bn



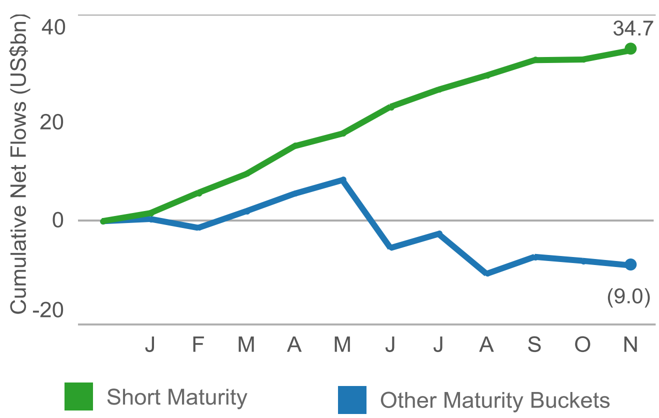
PAN EUROPEAN EQUITY FLOWS[1]

2013 YTD Net Flows: $20.4bn



GLOBAL FIXED INCOME CUMULATIVE ETP FLOWS[1,2]

2013 YTD Net Flows: $25.7bn



Source: BlackRock

Highlights (US$):[1,2]

US Equity and **Broad Developed Markets** led asset gathering for the month with $9.9bn and $7.2bn. Funds tracking the S&P 500 and MSCI EAFE indices drove much of the activity. These two categories also account for 81% of global ETP flows year-to-date.

The US Equity activity in November was predominantly from core exposures such as Large Cap, which saw inflows of $8.7bn, and Small Cap, which is among the more fully valued segments of the market and had outflows of ($2.4bn). Sectors contributed an additional $3.4bn with investors putting the most money to work in Industrial, Health Care, Energy and Consumer Cyclical ETPs.

Fixed Income flows were muted but positive during the month. The duration rotation continued with Short Maturity[2] capturing $1.9bn while outflows for all other maturities were ($1.0bn).
The most popular Fixed Income ETPs in November were Broad Aggregate US funds, counter to the trend most of the year. Investment Grade Corporate continued to see outflows while High Yield Corporate attracted $0.5bn, mostly from Short Maturity funds. Riskier Fixed Income ETP segments such as Emerging Markets debt were out of favor. Notably, Emerging Markets debt has modest year-to-date inflows but splitting out local currency ETPs changes the picture as these funds have attracted $3.4bn.

European Fixed Income ETPs gathered $0.4bn during November (mostly European Sovereign bonds) and haven't been impacted by the turmoil related to Fed tapering, posting year-to-date inflows of $6.3bn. This gives European exposures a high organic growth rate compared to US Fixed Income.
Amid signs that inflation is set to remain low, **Gold** outflows continued to the tune of ($1.4bn) in November and have now reached ($36.4bn) year-to-date, representing a consistent and significant drag on industry growth.

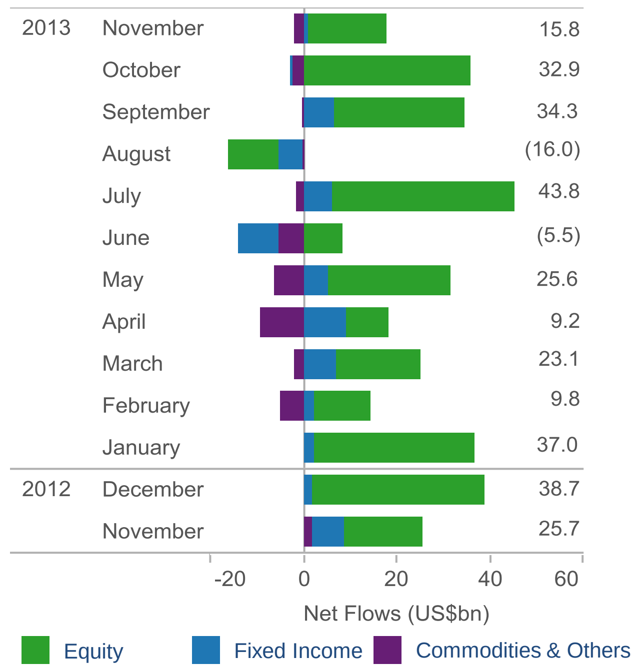
NOVEMBER RESULTS AT A GLANCE[1]
(US $billions)

	November 2013	October 2013*	December 2012	November 2012
Monthly Flows	15.8	32.9	38.7	25.7
Assets	2,361	2,325	1,944	1,880
# of ETPs	4,981	4,969	4,759	4,741

*Oct-2013 restated with additional Asia Pacific data

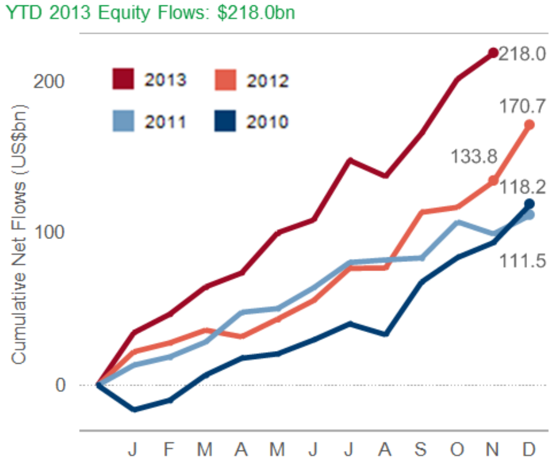
GLOBAL 13-MONTH ROLLING NET FLOWS[1]

2013 YTD Net Flows: $209.9bn



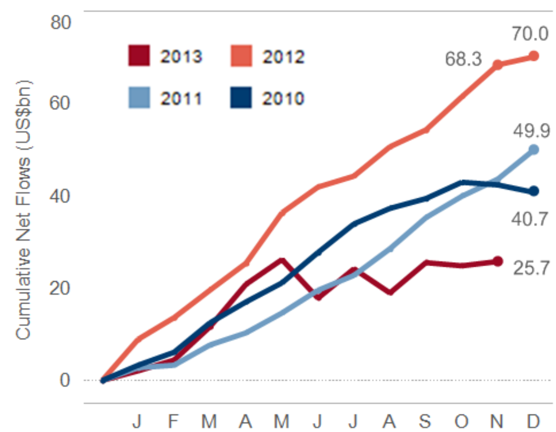
CUMULATIVE EQUITY ETP FLOWS[1]

YTD 2013 Equity Flows: $218.0bn



CUMULATIVE FIXED INCOME ETP FLOWS[1]

YTD 2013 Fixed Income Flows: $25.7bn



Source: BlackRock

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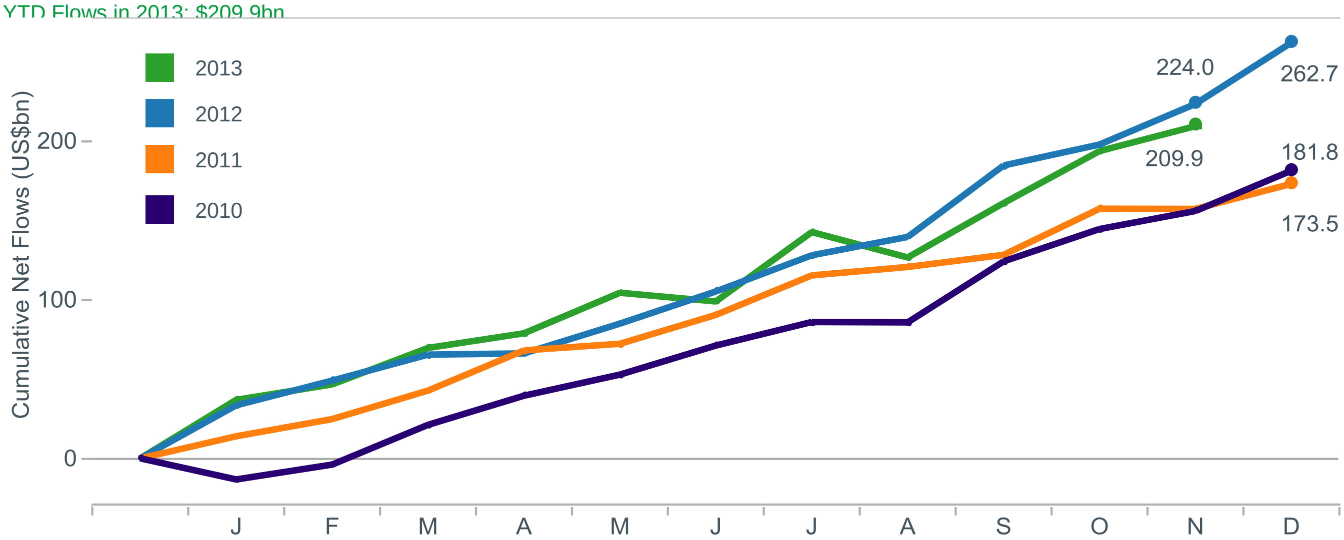
GLOBAL ETP YTD FLOWS BY EXPOSURE[1]

(US$bn)			Jan-Nov 2013	Jan-Nov 2012	Annual 2012
Fixed Income	**Total**		25.7	68.3	70.0
Developed Markets Equity	North America Equity	**Total**	128.3	60.2	76.3
	Other Developed/ Global Equity	Asia Pacific Equity	36.0	10.0	12.1
		Europe Equity	22.4	6.6	9.7
		Global/Global ex-US	41.2	15.3	17.8
		Total	99.5	31.9	39.6
	Total		227.9	92.1	115.9
Emerging Markets Equity	**Total**		(9.8)	41.7	54.8
Commodities	**Total**		(37.3)	18.4	19.3
Others	**Total**		3.5	3.5	2.7
Global ETP Total			209.9	224.0	262.7

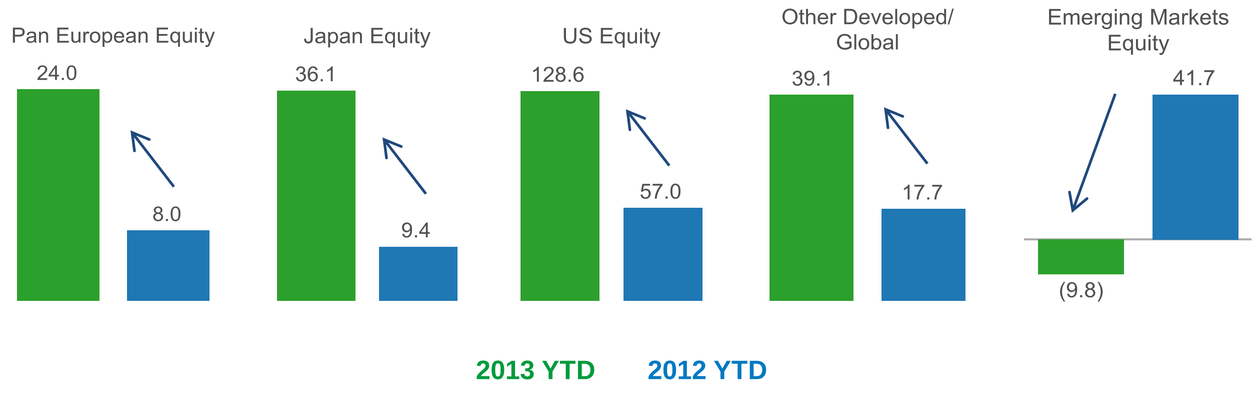
GLOBAL ETP CUMULATIVE FLOWS[1]

YTD Flows in 2013: $209.9bn



GLOBAL EQUITY ETP YTD FLOWS BY EXPOSURE[1]

YTD Flows in 2013: $218.0bn (up 63% from $133.8bn YTD 2012)



Source: BlackRock

Largest Year-to-Date Fund Inflows and Outflows

BLACKROCK®

ETPs as of November (US$mn)[1]	Bloomberg Ticker	2013 YTD Inflows	Nov-13 Assets
WisdomTree Japan Hedged Equity Fund	DXJ US	9,079	11,840
SPDR S&P 500	SPY US	8,358	163,584
iShares MSCI Japan	EWJ US	6,499	13,350
iShares Core S&P 500	IVV US	6,390	51,558
Vanguard European	VGK US	6,260	12,742
Vanguard Total Stock Market	VTI US	6,083	37,933
iShares MSCI EAFE	EFA US	5,440	51,626
Vanguard FTSE Developed Markets ETF	VEA US	5,166	18,442
Vanguard Short-Term Bond	BSV US	4,845	14,089
PowerShares Senior Loan Portfolio	BKLN US	4,778	6,243
Grand Total		62,898	381,407

ETPs as of November (US$mn)[1]	Bloomberg Ticker	2013 YTD Outflows	Nov-13 Assets
SPDR Gold	GLD US	(23,293)	33,956
iShares iBoxx $ Investment Grade Corporate Bond	LQD US	(8,399)	15,630
db x-trackers DAX ETF	XDAX GY	(7,666)	3,032
iShares Barclays TIPS Bond	TIP US	(7,390)	13,294
Vanguard FTSE Emerging Markets	VWO US	(7,155)	48,447
iShares MSCI Emerging Markets	EEM US	(3,957)	42,455
iShares MSCI Brazil	EWZ US	(3,570)	4,739
iShares J.P. Morgan USD Emerging Markets Bond	EMB US	(2,619)	3,615
SPDR Barclays Capital High Yield Bond	JNK US	(2,537)	9,963
iShares FTSE China 25	FXI US	(2,329)	5,913
Grand Total		(68,915)	181,044

Source: BlackRock

Largest Asset Gathering ETPs Launched in 2013

BLACKROCK®

Highlights (US$):[1]

- 431 new ETPs and 54 individual share class listings debuted around the globe so far this year and have accumulated $24.3bn in assets.
- 200 products and 11 individual share class listings were delisted this year with combined assets of less than $2.1bn.

Product Name (US$mn)[1]	Bloomberg Ticker	Exposure	Listing Region	Launch Date	Assets as of November 2013
ChinaAMC CSI 300 Index ETF	510330 CH	Emerging Markets Equity	Asia Pacific	January	3,210
Barclays FI Enhanced Global High Yield ETN	FIGY US	Other Developed/ Global	US	May	1,360
FI Enhanced Europe 50 ETN	FEEU US	Other Developed/ Global	US	May	1,019
E Fund CSI 300 ETF	510310 CH	Emerging Markets Equity	Asia Pacific	March	882
China CSI 500 ETF	510500 CH	Emerging Markets Equity	Asia Pacific	February	732
Vanguard Total International Bond ETF	BNDX US	Fixed Income	US	June	716
SPDR Blackstone/GSO Senior Loan ETF	SRLN US	Fixed Income	US	April	573
Guangfa CSI 500 ETF	510510 CH	Emerging Markets Equity	Asia Pacific	April	559
db x-trackers II IBOXX SOVEREIGNS EUROZONE YIELD PLUS 1-3 UCITS ETF	XYP1 GY	Fixed Income	Europe	August	487
SPDR MSCI EMU UCITS	ZPRE GY	Other Developed/ Global	Europe	January	460
China Southern Kaiyuan CSI 300 Index ETF	159925 CH	Emerging Markets Equity	Asia Pacific	April	445
BMO Mid-Term US IG Corporate Bond Index ETF	ZIC CN	Fixed Income	Canada	March	383
Lyxor EURO STOXX 300 (DR) D-EUR (Share Class)	MFDD FP	Other Developed/ Global	Europe	June	376
Vident International Equity	VIDI US	Other Developed/ Global	US	October	372
UBS SDIC CSI 300 Financials Index ETF	159933 CH	Emerging Markets Equity	Asia Pacific	October	337
Others					12,422
Total - 431 Primary ETPs + 54 Share Classes					24,332

Source: BlackRock

Global ETP by Exposure – Developed Equity

BLACKROCK®

Exposure (US$mn)[1]		Nov 2013 Net Flows	2013 YTD Net Flows	% of YTD Flows	Assets	% of Assets	# ETPs
US Size and Style	Large Cap	8,710	44,093	21.0	462,021	19.6	235
	Mid Cap	(24)	13,073	6.2	82,691	3.5	49
	Small Cap	(2,427)	14,562	6.9	86,593	3.7	69
	Micro Cap	(73)	215	0.1	1,039	0.0	4
	Total Market	927	10,141	4.8	64,018	2.7	63
	Extended Market	(65)	1,037	0.5	3,862	0.2	2
	Preferred Stock	(334)	(1,391)	(0.7)	12,926	0.5	5
	US Size and Style Total	6,713	81,730	38.9	713,150	30.2	427
US Sector	Basic Materials	221	1,149	0.5	7,030	0.3	15
	Consumer Cyclicals	718	2,987	1.4	16,221	0.7	19
	Consumer Non-cyclicals	123	749	0.4	10,322	0.4	13
	Energy	795	5,426	2.6	33,303	1.4	44
	Financials	329	6,612	3.1	31,195	1.3	39
	Health Care	966	5,467	2.6	25,058	1.1	30
	Industrials	1,166	4,827	2.3	13,789	0.6	18
	Real Estate	7	2,144	1.0	28,336	1.2	24
	Technology	(354)	5,778	2.8	24,215	1.0	28
	Telecommunications	42	(7)	(0.0)	1,116	0.0	6
	Utilities	(576)	(1,345)	(0.6)	7,110	0.3	13
	Theme	(14)	337	0.2	1,085	0.0	8
	US Sector Total	3,424	34,124	16.3	198,780	8.4	257
US Strategy		(286)	12,786	6.1	69,634	2.9	59
US Total		9,852	128,640	61.3	981,564	41.6	743
Canada Equity		(188)	(1,100)	(0.5)	32,609	1.4	87
North America Regional Equity		38	792	0.4	7,856	0.3	21
North America Total		9,701	128,332	61.1	1,022,029	43.3	851
Pan European Size and Style	Large Cap	1,326	6,962	3.3	43,251	1.8	79
	Mid Cap	12	377	0.2	1,242	0.1	9
	Small Cap	361	1,537	0.7	3,328	0.1	12
	Total Market	1,571	13,730	6.5	44,684	1.9	69
	Pan European Size and Style Total	3,270	22,572	10.8	92,433	3.9	167
Pan European Sector		299	809	0.4	13,984	0.6	150
Pan European Strategy		(30)	555	0.3	3,246	0.1	21
Pan European Total		3,539	23,970	11.4	109,734	4.6	340
Country	Germany	(1,349)	(6,452)	(3.1)	39,598	1.7	65
	U.K.	185	3,518	1.7	20,290	0.9	52
	Switzerland	(17)	184	0.1	10,262	0.4	23
	France	(75)	(1,069)	(0.5)	5,318	0.2	19
	Others	271	2,250	1.1	10,876	0.5	69
	Europe Single Country Total	(985)	(1,569)	(0.7)	86,344	3.7	228
Europe Total		2,554	22,401	10.7	196,078	8.3	568
Asia-Pacific	Regional	404	1,472	0.7	17,385	0.7	60
	Country	1,632	34,481	16.4	140,438	5.9	237
Asia Pacific Total		2,036	35,953	17.1	157,822	6.7	297
Broad-Based Global /Global ex-US		7,192	41,167	19.6	198,465	8.4	456
Developed Equity Total		21,483	227,853	108.5	1,574,394	66.7	2,172

Source: BlackRock

Endnotes: BlackRock's ETP Landscape: Monthly Highlights report

"ETP" (or exchange traded product) as referred to above means any portfolio exposure security that trades intraday on a US exchange. ETPs include exchange traded funds (ETFs) registered with the SEC under the Investment Company Act of 1940 (open-end funds and unit investment trusts or UITs) and certain trusts, commodity pools and exchange traded notes (ETNs) registered with the SEC under the Securities Act of 1933.

The data for this report are captured from a number of sources by the BlackRock Investment Institute including provider websites, fund prospectuses, provider press releases, provider surveys, Bloomberg, the National Stock Exchange, Strategic Insight Simfund, Wind and the Bank of Israel. All amounts are reported in US dollars. Net flows are derived using daily net asset values and shares outstanding using the most recent data we can capture at month-end. For products with cross-listings, we attribute net flows and assets to the primary listings. Where price is not available, we use an approximation.

1. Data is as of November 28, 2013 for Europe and November 29, 2013 for the US, Canada, Latin America, Israel, and some Asia ETPs. Some Asia ETP data is as of October 31, 2013. Global ETP flows and assets are sourced using shares outstanding and net asset values from Bloomberg for the US, Canada, Europe, Latin America and some ETPs in Asia. Middle East ETP assets are sourced from the Bank of Israel. ETP flows and assets in China are sourced from Wind. Inflows for years prior to 2010 are sourced from Strategic Insights Simfund. Asset classifications are assigned by the BlackRock based on product definitions from provider websites and product prospectuses. Other static product information is obtained from provider websites, product prospectuses, provider press releases, and provider surveys. Market returns are sourced from Bloomberg.
2. We classify maturity buckets of a Fixed Income ETP if the fund invests at least 70% of its assets in the corresponding maturity/exposure range: Short maturity includes: underlying security maturities < 3 years and floating rate where the fund holds floating rate securities and/or bank loans. Intermediate includes: 3 years < underlying security maturities < 10 years. The "other" category includes Long-Term: underlying security maturities > 10 years; Broad Maturities: The fund invests in more than two maturity buckets without emphasizing one; Selected Maturities: The fund holds securities with multiple selected range of maturity buckets, i.e. barbell strategy which focuses on the specific short-term and long-term buckets with even weights; and Fixed Maturity: The fund itself has a target maturity date and arranged holdings correspondingly.
3. Source: BlackRock, Bloomberg, Reuters
4. Mutual fund data is sourced from EPFR (excluding Money Market funds and ETFs). Full year 2012 and January-October 2013 data is sourced from EPFR monthly data. November 2013 data is sourced from EPFR weekly data for the four weeks ended Nov 27, 2013. Money Market mutual fund flows is sourced from EPFR weekly data for the four weeks ended Nov 27, 2013.

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ETF INTERVIEW:

First Trust Announces Launch of First Trust Global Tactical Commodity Strategy Fund Interview

Ryan Issakainen Ryan Issakainen is Senior Vice President, Exchange-Traded Fund Strategist for First Trust, which he joined in January of 2000. He is a recipient of the Chartered Financial Analyst (CFA) designation, and holds a B.A. and an M.A from Wheaton College in Wheaton, IL.

Interviewed by Capital Link Media
Friday, December 13, 2013

Ryan O. Issakainen
CFA Senior VP, Exchange Traded Fund Strategist
First Trust Advisors

Q: Thank you for joining us today. Can you give us a bit of background on First Trust Portfolios L.P. and your role as ETF Strategist?

Ryan Issakainen: First Trust was founded in 1991, and currently manages and supervises about $82 billion across a variety of investment structures including Exchange-Traded Funds, Unit Investment Trusts, Closed-End Funds, Open-End Funds, and Separate Managed Accounts.

As an ETF Strategist, my job is to provide insights to financial advisors and portfolio managers to help them sort through the huge number of ETF choices available, in order to help them determine which ETFs may be best suited for their clients' risk and return objectives.

Q: We've been hearing that commodities are a unique asset class and are also a complement to traditional asset classes. Can you please shed some insight into the reasoning behind this? What are some of the strategies First Trust Portfolios is using in the commodities market?

Ryan Issakainen: The benefits of incorporating commodities, and other "alternative" asset classes, in an investment portfolio are primarily driven by the relatively low, and sometimes negative, correlations between the returns of commodities and "traditional" asset classes. This provides the potential to reduce overall risk by further diversifying an investment portfolio, while potentially improving risk-adjusted returns.

For example, think about what often happens to the price of stocks versus the price of oil during periods of unrest in the Middle East: stock prices drop and oil prices move higher. So the positive returns from a long position in oil futures, for example, may help offset the negative returns from stocks.

Because commodity prices typically rise with inflation, commodities may also act as a hedge against inflation.

Currently, First Trust has two ETFs that utilize commodity futures: the First Trust Morningstar Managed Futures Strategy Fund (ticker: FMF) and the First Trust Global Tactical Commodity Strategy Fund (ticker: FTGC).

Q: Congratulations on the launch of First Trust Global Tactical Commodity Strategy Fund, an actively managed Commodities ETF, on Oct 23. What is the investment strategy behind FTGC and how will it limit investors' exposure into a volatile commodities market?

This ETF has several unique attributes that we believe provide added value to investors, but one of the most important is the fact that it's an actively managed strategy, compared to most commodity ETPs which track passive indices. This provides the flexibility for the Fund's managers to actively select between specific futures contracts in order to seek to maximize roll yield (defined as the amount of return generated in specific markets by rolling short-term contracts into longer-term contracts and profiting from the convergence of a higher spot price). We view this as a significant advantage versus ETPs that are forced to roll at a specific point along the futures curve, particularly when the futures curve is in a persistent state of contango (meaning the futures price of a commodity is above the expected future spot price), which may force these ETPs to systematically realize substantial negative roll yields.

Active management also means that FTGC's allocations are not tied to a specific commodity benchmark that may be dominated by one sector, such as energy. Instead, allocations are determined by a consideration of the forecasted risk and correlations of each commodity in the portfolio in order to seek a relatively stable risk profile. Unlike most passive commodity ETPs, active management also allows the Fund's managers to regularly rebalance to the optimal asset weighting given the desired risk for the portfolio.

Q: ETFs that invest in commodity futures contracts typically issue K-1 for tax forms. However, FTGC will report taxable gains and losses on a Form 1099. What are the benefits of reporting on a Form 1099?

Ryan Issakainen: We have received excellent feedback from financial advisors regarding the fact that FTGC does not issue K-1s, but instead intends to report taxes on a Form 1099. Believe it or not, the additional administrative burden of dealing with K-1s has kept many investors from allocating to commodity ETPs, despite their potential benefits, which is a shame. If commodities are appropriate for an investor's portfolio, we think many will prefer the familiarity of the 1099 tax reporting offered by FTGC.

Q: What are First Trust Portfolio's core products?
Ryan Issakainen: In addition to some of the newer ETFs that First Trust has recently launched, such as FTGC, we offer a number of core equity strategies, including 39 funds from our AlphaDEX family of ETFs. These ETFs, which have accumulated over $9 billion in AUM, follow a quantitative, multi-factor model that seeks better risk-adjusted returns than benchmark indices.

You should consider a fund's investment objectives, risks, and charges and expenses carefully before investing. Contact First Trust Portfolios L.P. at 1-800-621-1675 or visit www.ftportfolios.com to obtain a prospectus or summary prospectus which contains this and other information about a fund. The prospectus or summary prospectus should be read carefully before investing.

<u>ETF Characteristics</u>
The fund will list and principally trade its shares on The NASDAQ Stock Market LLC. The fund may not be fully invested at times. Investors buying or selling fund shares on the secondary market may incur customary brokerage commissions. Market prices may differ to some degree from the net asset value of the shares. Investors who sell fund shares may receive less than the share's net asset value. Shares may be sold throughout the day on the exchange through any brokerage account. However, unlike mutual funds, shares may only be redeemed directly from the fund by authorized participants, in very large creation/redemption units.

The funds' shares will change in value and you could lose money by investing in the funds. The funds are subject to market risk.

You should anticipate that the value of an AlphaDEX fund's shares will decline, more or less, in correlation with any decline in the value of the applicable index. An AlphaDEX fund may invest in securities issued by companies concentrated in a particular industry or country and may invest in small capitalization and mid-capitalization companies. Such companies may experience greater price volatility than larger, more established companies.

The trading prices of commodities futures, fixed income securities and other instruments in which FMF and FTGC invest fluctuate in response to a variety of factors. The funds' net asset value and market price may fluctuate significantly in response to these factors. As a result, an investor could lose money over short or long periods of time. In addition, the net asset value of the funds over short-term periods may be more volatile than other investment options because of the funds' significant use of financial instruments that have a leveraging effect. There is no guarantee that any leveraging strategy the funds employ will be successful.

The value of commodities and commodity-linked instruments typically is based upon the price movements of a physical commodity or an economic variable linked to such price movements. The prices of commodities and commodities-linked instruments may fluctuate quickly and dramatically and may not correlate to price movements in other asset classes. An active trading market may not exist for certain commodities. Each of these factors and events could have a significant negative impact on the funds. All futures and futures-related products are highly volatile. Price movements are influenced by a variety of factors. The value of commodities, commodity-linked instruments, futures and futures-related products may be affected by changes in overall economic conditions, changes in interest rates, or factors affecting a particular commodity or industry, such as production, supply, demand, drought, floods, weather, political, economic and regulatory developments.

The funds will not invest directly in futures instruments. Rather, they will invest in a wholly-owned subsidiary, which will have the same investment objective as the funds, but unlike the funds, it may invest without limitation in futures instruments. The subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Thus, the funds, as an investor in the subsidiary, will not have all the protections offered to investors in registered investment companies.

FMF is not obligated to invest in the same instruments included in the benchmark and may invest in certain other securities. There can be no assurance that the fund's performance will exceed the performance of the benchmark at all times.

The funds' strategy may frequently involve buying and selling portfolio securities to rebalance the funds' exposure to various market sectors. Higher portfolio turnover may result in the funds paying higher levels of transaction costs and generating greater tax liabilities for shareholders.

The funds are subject to management risk because they are actively managed portfolios. The advisor will apply investment techniques and risk analyses that may not have the desired result.

The funds currently intend to effect most creations and redemptions, in whole or in part for cash, rather than in-kind securities. As a result, the funds may be less tax-efficient than if they were to sell and redeem their shares principally in-kind.

The funds, through the subsidiary, will engage in trading on commodity markets outside the United States. Trading on such markets is not regulated by any United States government agency and may involve certain risks not applicable to trading on United States exchanges. The funds hold investments that are denominated in non-U.S. currencies, or in securities that provide exposure to such currencies, currency exchange rates or interest rates denominated in such currencies. Changes in currency exchange rates and the relative value of non-U.S. currencies may affect the value of the funds' investments and the value of the funds' shares. Commodity futures contracts traded on non-U.S. exchanges or with non-U.S. counterparties present risks because they may not be subject to the same degree of regulation as their U.S. counterparts.

FTGC may be subject to the forces of the "whipsaw" markets (as opposed to choppy or stable markets), in which significant price movements develop but then repeatedly reverse, which could cause substantial losses to the fund.

The funds are classified as "non-diversified." A non-diversified fund generally may invest a larger percentage of its assets in the securities of a smaller number of issuers. As a result, the fund may be more susceptible to the risks associated with these particular companies, or to a single economic, political or regulatory occurrence affecting these companies

An investment in a fund containing equity securities of foreign issuers is subject to additional risks, including currency fluctuations, political risks, withholding, the lack of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries.

First Trust Advisors L.P., the investment adviser of the funds, is registered as a commodity pool operator and commodity trading advisor and is also a member of the National Futures Association. First Trust Advisors L.P. is an affiliate of First Trust Portfolios L.P., the funds' distributor.

ABOUT FIRST TRUST PORTFOLIOS L.P

First Trust Portfolios L.P. and its affiliate, First Trust Advisors L.P. (collectively "First Trust"), have been serving broker/dealers, individuals and institutional investors from its Chicago-area headquarters since 1991. First Trust serves as investment advisor or portfolio supervisor to investment portfolios with over $82 billion in assets which it managed or supervised as of November 30, 2013. First Trust is a provider of innovative financial solutions and is a long-term strategic investor nationally recognized for its fundamental and quantitative strategies. Products offered include ETFs, Closed-End Funds, Unit Investment Trusts, Mutual Funds, Separate Managed Accounts and products for the 401(k) and Variable Annuity marketplaces. As well, First Trust is affiliated with several specialty asset managers for such asset classes as preferred securities, MLPs, senior loans and municipal bonds. First Trust's mission is to offer investors a better way to invest and to providing the highest level of service.

ABOUT CAPITAL LINK, INC.

Capital Link is a New York-based investor relations and financial communications firm, which, among other activities, maintains a strategic focus on closed-end funds and ETFs. Capital Link has developed specific investor outreach programs and IR tools focused on CEFs and ETFs in order to enhance their profiles among analysts, investors, and financial media.

In pursuit of this objective, Capital Link maintains websites dedicated to CEFs (cef.capitallink.com) and ETFs (etf.capitallink.com) that track the news and developments of all U.S. listed CEFs and ETFs, providing investors with a free information resource on these topics. The 12th Annual Closed-End Funds & Global ETFs Forum (www.capitallinkforum.com), considered a premier industry annual event, will take place in New York City on April 24, 2013, bringing together investors, analysts, wealth management professionals, and CEF and ETF industry participants. Capital Link also offers the "Closed-End Funds & Global ETFs Webinar Series (www.capitallinkwebinars.com)," an online interactive platform that is on CEFs, ETFs, and other pertinent industry topics. Open to the public, these virtual events provide an in-depth look into the CEF & ETF industry, and ground issues and timely topics in the context of the global economy, fostering a better understanding among participants.

FitchRatings

2014 Outlook: Closed-End Funds

Structural Protections Support Rating Stability

Outlook Report

December 13, 2013

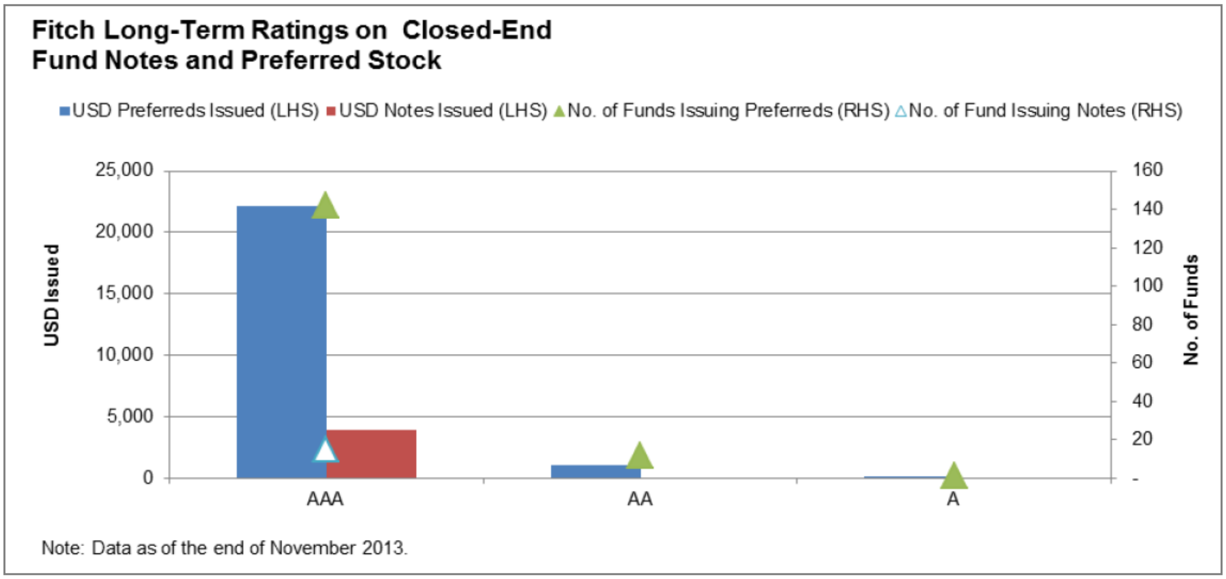
Analysts

Yuriy Layvand, CFA
+1 212 908-9191
yuriy.layvand@fitchratings.com

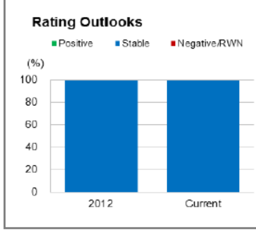
Ian Rasmussen
+1 212 908-0232
ian.rasmussen@fitchratings.com

Roger Merritt
+1 212 908-0636
Roger.merritt@fitchratings.com

Structural Protections Support Stable Outlook: The Rating Outlook for Fitch Ratings' long-term ratings assigned to $27.2 billion of closed-end fund (CEF) notes and preferred stock remains Stable for 2014. The outlook is supported by strong security structural protections that result in significant asset cushions available to repay note and preferred stock holders. Protections available to rated securities include maximum leverage ratios, collateral maintenance provisions and timely deleveraging triggers in cases of asset coverage declines.



Rating Outlook
STABLE
(2013: STABLE)



Liquidity-Backed Preferreds Linked to Bank Credit: Short-term ratings assigned to CEF variable-rate demand preferred shares (VRDPs) are credit-linked to the rating of related financial institutions that provide liquidity support. Such ratings move in lock-step with Fitch's ratings assigned to those banks and are not otherwise addressed in this report.

Fund Management and Strategies Impact Leverage: Fund managers employ different leverage strategies, in line with their past experience and expectations for future volatility, subject to operating limits in place. For example, the interest rate stress in summer 2013 distinguished funds that managed leverage levels more conservatively to dampen NAV volatility versus those that maintained aggressive leverage ratios at status quo.

Regulatory Limits Offer Strong Baseline: The leverage limits of 33% for debt and 50% for senior securities help to support ratings stability by keeping leverage levels low. For rated debt, credit protections are further strengthened beyond these minimum levels by capturing additional risk factors not considered by the Investment Company Act of 1940 (1940 Act).

Leverage Mix Important: The taxable CEF sector remains highly reliant on short-term bank funding, but a greater number of funds have termed out with notes and preferred shares during the year. Municipal CEFs, on the other hand, generally operate with both short tender option bonds (TOBs) and term preferred stock of intermediate maturities. Fitch expects these trends to continue into 2014, and that pre-crisis auction rate preferred shares (ARPS) still outstanding will continue to be refinanced.

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FitchRatings

MLP Closed-End Funds: A Capital Structure Case Study

December 2, 2013

Analysts

Fund & Asset Management

Yuriy Layvand, CFA
+1 212 908-9191
yuriy.layvand@fitchratings.com

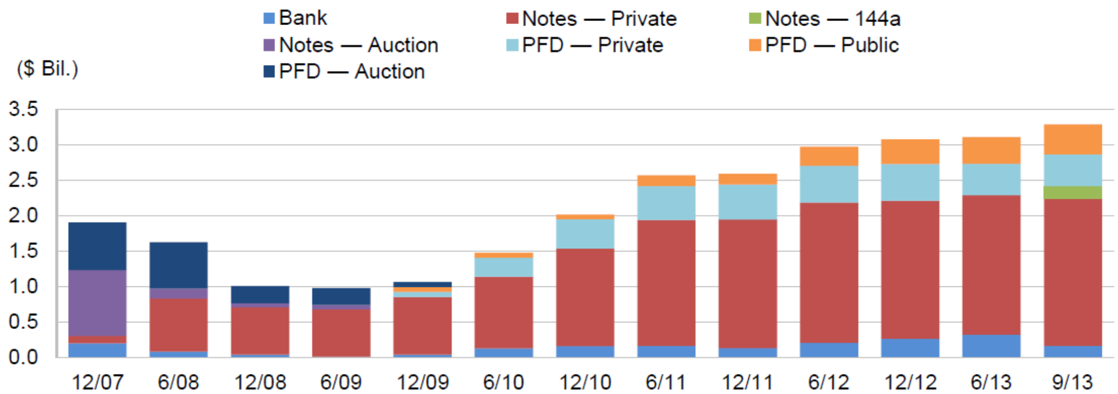
Michael Swan
+1 212 908-9108
michael.swan@fitchratings.com

Corporates

Peter Molica
+1 212 908-0288
peter.molica@fitchratings.com

MLP CEFs Diversify Leverage: Capital structures and funding strategies pursued by some of the largest master limited partnership (MLP) closed-end funds (CEFs) may offer a blueprint for the others in the CEF industry. These early innovators utilize $4.5 billion in leverage today, 5% of which is bank drawn, 77% privately placed notes and preferred stock, 13% publicly traded and mostly recently 5% sold through the 144a bond market (see chart below).

Largest MLP Closed-End Funds Diversify Leverage
December 2007–September 2013



Source: Public data of select CEFs currently utilize both short and term leverage (managed by Kayne Anderson, Tortoise and Clearbridge).

Costs Reflect Multiple Factors: The cost of leverage for MLP CEFs is based on a multitude of factors, such as term, seniority in the fund capital structure (senior debt versus preferred), and various market dynamics.

Click here for complete reading

Rating Actions

To access the complete rating action, please click on the links below.

- **Fitch Rates Tortoise Closed-End Fund Notes 'AAA'; Affirms Existing Ratings – November 21, 2013**
- **Fitch Affirms Preferred Shares Issued by Two Federated Municipal Funds at 'AAA' – November 15, 2013**
- **Fitch Affirms Preferred Shares of Delaware Investments – November 11, 2013**
- **Fitch Rates Dreyfus Municipal Bond Infrastructure Fund, Inc. VMTP Shares 'AAA' – November 1, 2013**

Closed-End Funds

Tax-Loss Selling among Closed-end Funds

December 12, 2013

Authored by:
Mariana F. Bush, CFA
Senior Analyst, Wells Fargo Advisors
Dan Brown, CFA
Analyst, Wells Fargo Advisors

On certain years, the market prices of closed-end funds (CEFs) tend to undergo pressure from year-end tax-loss selling, which typically results in the widening of discounts to net asset values (NAVs). We think 2013 is one of those years, and investors may be trying to squeeze "lemons into lemonade" during the last few weeks of the calendar year. We believe this may provide some attractive opportunities among CEFs.

The two variables that have historically triggered year-end tax-loss selling among CEFs — unrealized losses, and previous to that, strong demand for CEFs — have been present this year. First, the weakening of markets, particularly fixed-income sectors, beginning in early May caused NAVs to decline. Leverage magnified such losses, and the limited liquidity among CEFs pushed market prices to decline even further than the NAVs, thus creating unrealized losses. Market prices have stubbornly trailed the recovering NAVs, which has prolonged and exacerbated the unrealized losses. We should note that this year's behavior among CEFs is normal in an environment when they encounter weakness in their portfolios' underlying markets. See the table below for the performance of CEFs by asset class from May 1, 2013 through November 30.

Second, demand for CEFs had been strong — both in the primary and secondary markets — prior to the market declines. Demand for CEFs in the primary market had gradually increased since the 2008 crisis as measured by the level of assets raised on CEF initial public offerings (IPOs). That level has reached $14 billion so far in 2013, as shown in Chart 1 on page 2. We should note that the majority of the IPO assets raised in 2013 occurred during the first half of the year. In addition, this level is well below the pre-crisis peak level of $28 billion in assets raised for CEF IPOs in 2007.

Asset Class	NAV Total Return	Market-Price Total Return
Tax-Free Fixed Income	(9.0%)	(16.0%)
Taxable Fixed Income	(0.5%)	(8.3%)
MLP	4.9%	(0.9%)
Multi Asset	6.1%	1.8%
Equity	5.8%	3.5%

**Tax-Free Fixed Income includes CEFs holding a diversified portfolio of municipal bonds across multiple states*

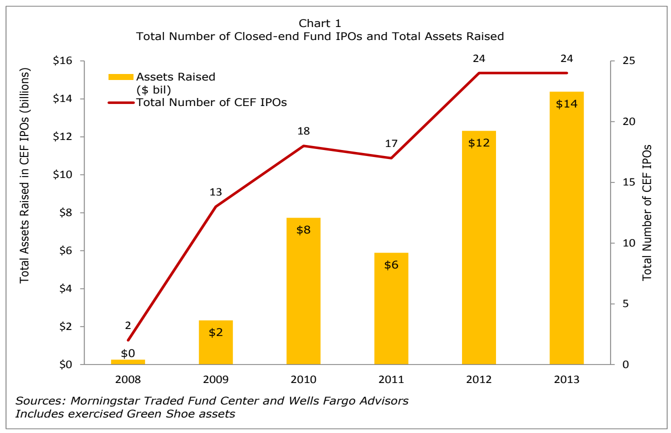
Source: Bloomberg L.P.

Past performance is no guarantee of future results.

As far as the demand for CEFs in the secondary market is concerned, one could conclude that it had been high for the past two years until the middle of this year, if measured by the average discount for the CEF universe. In fact, the average valuation of the universe reached all-time highs at the end of 2012, trading at narrow premiums, and remained near that level earlier in the year, as shown in Chart 2 on page 3, reflecting a bubbly enthusiasm for CEFs among investors searching for more attractive yields.

"Turning lemons into lemonade"

As has been the case in previous years with similar conditions, investors are eager to turn lemons — unrealized losses — into lemonade — harvest losses that can be used to offset capital gains for tax purposes. Recent anecdotal evidence leads us to believe that tax-loss selling is not unique among CEFs, but other securities may be undergoing a similar market price pressure such as MLPs, preferreds, etc. Some investors may also be considering the selling of an instrument for tax purposes and the related purchasing of another instrument with a similar exposure (e.g., selling a mutual fund to purchase a CEF).



Make sure there is a loss! Adjusting for Return of Capital

Some investors may think they can make lemonade, but it turns out they are missing a key ingredient: the lemons. Depending on the asset class and/or strategy, a portion of the distribution of a number of CEFs could be treated as return of capital, and an investor needs to adjust the cost basis of that CEF by the amount of the return of capital during the holding period. For example, let's say that an individual buys a CEF at $10 per share, holds it for one year and receives a $1 per share as distribution. Let's assume that the market price of the CEF falls to $9.50 per share. Our individual may initially believe that he can realize a loss for tax purposes by selling the shares. However, if the entire distribution were treated as return of capital, the cost basis would be adjusted to $9 per share, and therefore the individual would actually not be realizing a loss. Thus, it is critical to understand the tax composition of the distributions of CEFs. While the tax composition of the distribution of a CEF for a given year is not available until after year-end, CEF sponsors usually provide an estimate of such composition ahead of year-end. Also, the tax composition of a CEF's distribution is often somewhat similar from year to year. Wells Fargo Advisors is not a tax specialist and investors are strongly encouraged to consult with their own tax advisors regarding their particular situation.

Click here for complete reading

Senior Loan CEFs: Big Disparity Between Share Price and NAV Performance in 2013

December 10, 2013

Authored by:

Jeff Margolin
Senior Vice President
Closed-End Fund Analyst
First Trust Advisors, LP.

Following 2012, a year in which the average senior loan closed-end fund (CEF) was up 22.63% on a share price total return basis according to Morningstar, the average senior loan CEF is up a miniscule 0.03% year-to-date (YTD) also on a share price total return basis according to Morningstar as of 12/9/13. However, the slightly positive share price total return earned thus far in 2013 only tells part of the story. While share price total returns are barely positive YTD, underlying net asset value (NAV) performance has been much better. In fact, according to Morningstar, as of 12/9/2013, the average senior loan CEF has a NAV total return of 8.43%. This high single digit NAV total return reflects the positive fundamentals which continue to exist in the senior loan asset class, including a default rate of only 1.48% as of the end of November according to S&P. It also reflects the continued demand investors have for the senior loan asset class given their limited duration risk and compelling income.

Furthermore, while not at a meaningful discount to par, the average loan in the S&P/LSTA Leveraged Loan 100 Index is at a slight discount nonetheless trading at 98.14 as of 12/9/2013 according to Bloomberg. While not necessarily a growth story, historically senior loans have traded right around par in environments in which the economy is growing and interest rates are trending higher such as the 2004-2006 period. Indeed, from 1/2/2004 to 12/31/2006 which was the last time both short and long-term interest rates trended higher, the S&P/LSTA Leveraged Loan 100 Index stayed in a very tight range that entire three year rising interest rate period, hitting a low of 99.82 on 1/2/2004 and a high of 101.32 on 3/18/2005, while distributing compelling income the entire time.

I suspect some of you might be reading this blog thinking to yourself, "Why would I care that NAV performance for the average senior loan CEF is up over 8% YTD? I own my senior loan CEFs at the share price, not the NAV and share prices are barely positive YTD on a total return basis." While of course I recognize that investors in CEFs own them at the share price and not the underlying NAV (as they would an open-end mutual fund), ultimately as I discussed in my blog from 8/28/2013 entitled "Share Prices Historically Track NAVs,"the underlying NAV performance of a CEF is very important as historically share prices have tended to gravitate towards the underlying NAV. While this year might have been frustrating for investors in senior loan CEFs as share prices underperformed NAVs significantly, historically while there are these periods when the marketplace is inefficient and there is a wide disparity between share price and NAV performance, it can also represent a compelling opportunity as share prices historically do track underlying NAVs over time.

As we enter 2014, the underlying fundamentals of senior loans remain strong as mentioned above. Furthermore, as a result of share prices underperforming NAVs by such a significant amount, average discounts to NAV are a significant 6.70% according to Morningstar as of 12/9/2013 and represent some of the most compelling valuations seen in the senior loan CEF category since the summer of 2011 when the U.S. debt was downgraded. In addition to compelling fundamentals and valuations for senior loans and senior loan CEFs, yields also remain compelling. To that end, even with several senior loan CEFs recently reducing distributions as spreads have narrowed, the average senior loan CEF still yields a significant 7.12% as of 12/9/2013 according to Morningstar.

While I recognize that 2013 has been a frustrating year to this point for some investors in senior loan CEFs given the very solid NAV total return performance but yet barely positive share price total return performance, ultimately I think the share price total return performance reflects the fact that many CEFs became out of favor with investors (particularly in the second and third quarters) as the equity markets continued to move higher and investors indiscriminately sold shares of many categories of the CEF marketplace without considering the strength and\ characteristics of the underlying asset class as was the case with senior loan CEFs. It is my view that eventually the secondary market for CEFs will become more efficient and investors will recognize the compelling valuations, fundamentals and yields which still exist in senior loan CEFs. I continue to believe they should be part of a diversified CEF portfolio which should also include limited duration, high yield, domestic equity and municipal CEFs.

Closed-end funds are subject to various risks, including management's ability to meet the fund's investment objective, and to manage the fund's portfolio when the underlying securities are redeemed or sold, during periods of market turmoil and as investors' perceptions regarding the funds or their underlying investments change. Unlike open-end funds, which trade at prices based on a current determination of the fund's net asset value, closed-end funds frequently trade at a discount to their net asset value in the secondary market. Certain closed-end funds may employ the use of leverage which increases the volatility of such funds.

All opinions expressed constitute judgments as of the date of release, and are subject to change without notice. There can be no assurance forecasts will be achieved. The information is taken from sources that we believe to be reliable but we do not guarantee its accuracy or completeness.

Understanding Tax-Loss Selling in Closed-End Funds

December 6, 2013

Authored by:
John Cole Scott, CFS
EVP, Portfolio Manager,
Closed-End fund Advisors, Inc.

Tax-loss selling is not a phenomenon secluded to the closed-end fund structure of investment vehicles. However, we feel that due to a few CEF specific characteristics, it is the best place for investors to benefit from the historical desire to reduce your current year's taxes by harvesting losses.

1. CEF IPOs provide a good number of CEFs every year that usually trade at significant discounts to their IPO price six to twelve months after they are launched.
2. CEFs are diversified and professionally managed vs. buying common stock in one company. This should help to protect against the downside risk of the portfolio's net asset value declining more than the general market.
3. There are usually similar closed-end funds to swap into to maintain exposure and to avoid the Internal Revenue Service's (IRS) tax wash sale rules.
4. Discounts widening on a relative basis is a documented common occurrence for year-end investors. Better performing CEFs hold their relative discounts noticeably better than poor performing CEFs.
5. Many of these fund also have a typical discount narrowing in early January.

We call this the January effect as the discounts typically snap back towards regular levels in early January, once investors are in a new tax year.

How did CEFA conduct its research? We looked in our weekly Universe data for both the Dec 6, 2013 and December 7, 2012 week-end data. As there were essentially 600 funds each year, we grouped them into the top 200, middle 200 and bottom 200 based solely on YTD Market price TR data. We then averaged various data on the funds from both years to look for the impact of tax loss selling.

We selected 200 funds per group and averaged their data from two market years (2012 and 2013) in which different funds did well or did poorly. In 2012 bond funds had yet another strong year while equity-oriented closed-end funds saw only moderate growth. On the other hand, in 2013 bond funds have done very poorly while most equity-oriented closed-end funds have performed very well.

By both taking a sample size of 200 funds and using two very different market performing years, we are reasonably confident that the data is not impacted by fund sponsor, sector or other unrelated trends. Of course, each year as we can add another year of data the results will be more powerful. It should also be noted that the tax-loss harvesting is unlikely to be over for a few weeks. It typically starts the week before Thanksgiving, which was abnormally late this year, and ends in the last seven to ten days of December.

The following are some guidelines on tax-loss selling or the January Effect. It usually starts the last week of November and discounts bounce, back up or narrow around the end of December or the first 10 days of January.

Widening discounts are one way to see this event, as discounts go wider during this period compared to other months of the year. However, we find it easier to find this phenomenon by looking at Relative Discounts and Relative Z-Stats as together they will show a more complete picture of the funds that are acting worse than their historical selves and their peers when reacting to recent market trends.

The trends tend to be the most pronounced where there is the most liquidity or broad-based taxable ownership of a fund. This often includes the specialty equity and municipal bond groupings.

The other group to look in for this opportunity is the failed IPOs from late fourth quarter of the previous year (of 2012 for this season) through the second quarter of the current year (through June 30th, 2013 for this season). The premise is that all who own shares of one of these funds, if it is selling below its initial IPO price, have a short-term loss. The reason we like to end the targeted funds on this list at mid-year, is that most funds have green shoe support (the over allotment) for about 45 days and this first round of useful fund updates comes after the 6 month mark.

Happy Hunting!

Avg Data 2012-2013	Worst CEFs	Middle CEFs	Best CEFs
Rel Discount	-2.36%	-1.65%	-0.94%
Disc/Prm	-6.86%	-5.53%	-4.67%
Rel Z-Stat (1Yr)	-0.26	0.02	0.24
Discount Range	13%	29%	42%
52 Wk Mkt RP	27%	43%	72%
50 Day MA RP	-2.5	-1.05	0.15
1Yr NAV TR	0.4	9.2	20.4
YTD Mkt Pr TR	-5.5	5.0	19.6
1Yr StdDev MP	14.7	13.9	14.6

An Emerging Markets ETF for the Long Haul

December 6, 2013

The past 12 months have been rough for emerging markets (EM) stocks, and yet over this same timeframe one EM equity ETF managed to to have a phenomenal first year. With so many investors bearish on EM, Dodd Kittsley investigates what has made some bullish on this fund in particular.

Over the last nine years, which equity ETF launched in the U.S. attracted the most investors dollars in its first year?*

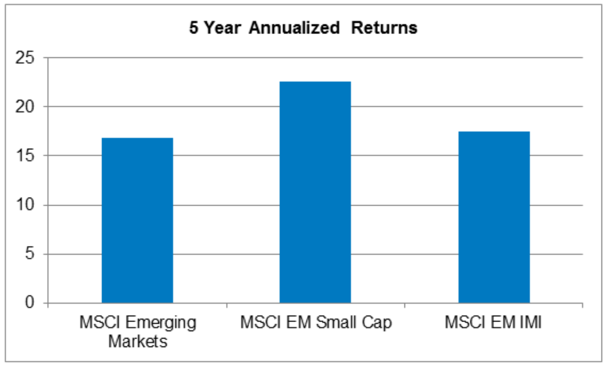
If I told you it was an emerging markets (EM) stock fund, would it surprise you? Probably, considering the EM equity category is in the red for the year. Despite a two month turnaround in September and October, EM equity ETFs reverted to their year-to-date trend in November and posted nearly $5 billion in outflows. The category is currently down $10 billion for the year.

And yet, the iShares Core MSCI Emerging Markets ETF (IEMG) has experienced positive flows month after month in 2013, gathering $2.6 billion this year and a total of more than $2.8 billion since its launch in October of last year. With so many investors bearish on EM equities, what has made some bullish on this fund in particular?

In a word: exposure. The fund aims to track the MSCI Emerging Markets IMI Index, which boasts the broadest and most diversified selection of EM equities. As part of theMSCI IMI (Investable Market Index) series, the index is designed to represent 99% of the investable market (as defined by MSCI). As a result, it includes more stocks than any other broad-based EM equity index out there (currently 2,617, more than four times as many as the standard MSCI Emerging Markets Index).

But what makes this index so compelling is not just the large number of stocks it includes. Because the IMI indexes try to provide comprehensive market coverage, they include large, mid and small cap stocks, while the standard MSCI indexes only include large and mid cap stocks. This is important because small caps can provide powerful diversification benefits and the potential for enhanced returns.

For example, over the past five years small cap stocks have significantly outperformed large caps (as they have historically over long periods of time). In the chart below, you can see how small caps helped the MSCI EM IMI Index outperform the standard MSCI EM Index by 67 basis points on an annualized basis.



Source: MSCI as of 12/5/13

But beyond the exposure story, I think that IEMG's early success illustrates that investors are starting to think about emerging markets in a different way. Despite the fact that many investors pulled back from EM this year, some have started to view it as an essential component of their core portfolio. Those who want to maintain an allocation to EM – even during a turbulent time – are starting to seek out new ways of doing so, for example through the increased diversification of IEMG.

Which is one of the great benefits of ETFs – no matter what your objective, there's likely a fund out there that can help you achieve it.

Dodd Kittsley, CFA, is the Head of Global ETP Market Trends Research for BlackRock and a regulator contributor to the The Blog. You can find more of his posts here.

Source: BlackRock ETP Research

In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Diversification may not protect against market risk or loss of principal.

Authored by:
Dodd Kittsley, CFA
Director, Global Head of ETP Research, BlackRock

Q& A - It's time to get active with ETFs

*Exchanged traded funds have seen enormous inflows in recent years, much of it into passive strategies. More recently, however, actively managed ETFs have grown in popularity as the market environment has grown more complex. PIMCO Chief Operating Officer Douglas Hodge discusses some of the differences between the two approaches and why active management may make particular sense in this market. Over the last nine years, which equity ETF launched in the U.S. attracted the most investors dollars in its first year?**

Q: Why have so many investors flocked to passive ETF strategies?

Hodge: ETFs overall have attracted significant flows in recent years, with assets up from $790 billion in 2009 to $1.6 trillion at the end of September 2013.* The largest portion of these assets has gone to equities and overwhelmingly to passive strategies that track an index. The primary catalyst for this trend has been disappointment in the performance of actively managed mutual funds, many of which have lagged behind their markets, particularly since the 2008 crash. Actively managed bond ETFs are less common for the simple reason that many active fixed income managers have successfully provided alpha, or outperformance relative to its index. Passive strategies have also been increasingly popular with advisors and other financial professionals, because they offer an opportunity to express market views through a convenient, cost-effective vehicle. More and more, however, we're seeing interest in active management, notably in the bond space, where skilled managers can make a difference. PIMCO has been a pioneer in this regard.

Q: What are some of the potential benefits of actively managed ETFs?

Hodge: While most active approaches track an index as well, portfolio managers have considerable flexibility to deviate from the index in order to enhance returns and manage risk. So there is potential to outperform by moving to off-benchmark sectors where valuations may be better, such as emerging markets or lower-quality securities, as well as the ability to cushion against volatility by avoiding sectors that are overvalued or otherwise stressed. This freedom can be particularly beneficial for bonds, as I mentioned, which operate in a large and complex marketplace that's difficult to replicate in an index-based strategy. Investment expertise, bottom-up analysis and rigorous risk management can add meaningful value for clients – not just in riskier sectors like high yield, but even among more conservative strategies such as short term and short duration bonds.

Of course, it's important to recognize that there will be times when active strategies underperform, but a well-managed fund has the potential to provide some downside protection and best its market at least over a business cycle and certainly over longer timeframes.

Q: Where might passive strategies fall short?

Hodge: For many investors, passive strategies that were meant to safeguard their assets actually punished them instead, by making it difficult to get out of the way of severe market shocks. I have described this as "straitjacket investing" – useful in certain circumstances but potentially harmful in others. Part of the difficulty is with the benchmarks themselves, the majority of which are suboptimal and inefficient in our view. For example, stock indexes are typically weighted by market capitalization rather than by fundamental metrics such as profits, balance sheet health or expected volatility. Thus, instead of favoring securities more likely to deliver future return on capital, these indexes emphasize those with the highest market value – in other words, those with the best past performance. This backward-looking approach leads to a tendency for market cap-weighted indexes to over allocate to overvalued securities and under allocate to undervalued securities. Bond indexes have a similar shortcoming in that they tend to overweight issuers that are highly indebted or leveraged, again ignoring the fundamentals. Importantly, these distortions – and the risks they create for investors – only increase as more money flows into passive strategies. So consider your starting point. Where you begin the race oftentimes can determine where you finish.

Q: What risks should investors be aware of today?

Hodge: For some time, PIMCO has been positing a New Normal environment, characterized by a slower-than-expected economic recovery, increased uncertainty and more muted returns on financial assets. We've seen that forecast come to pass, unfortunately, and aggravated by ongoing political dysfunction in the U.S. These conditions have increased the risk of market shocks, or "fatter left tails" that can quickly derail a financial plan. So hedging against sudden declines is important. Interest rates have also become an issue, since the introduction of the idea of "tapering" last May. As rates move around, this is where active managers can really earn their keep.

Douglas M. Hodge, CFA
Managing Director Chief Operating Officer , PIMCO

Mr. Hodge is a managing director in the Newport Beach office and PIMCO's chief operating officer. He also serves on PIMCO's executive committee and on the global executive committee for Allianz Asset Management, the governing body of asset management for the Allianz Group. In his current role, Mr. Hodge has executive oversight of the firm's client and business areas, including broad strategy-setting and resource management. Earlier, Mr. Hodge led the Asia Pacific region from the firm's Tokyo office from 2002-2009. He joined PIMCO in 1989 and has previously served the firm as a senior account manager responsible for client relationships worldwide and as a global product manager. Mr. Hodge currently serves on the board of the Securities Industry and Financial Markets Association. He has 28 years of investment experience and holds an MBA from Harvard Business School. He received an undergraduate degree from Dartmouth College.

***Source: IndexUniverse**

At the same time, many individuals have under-saved for retirement and risk a shortfall in meeting expenses: Two-thirds of American workers have less than $50,000 in savings and investment, and even those who have saved responsibly may outlive their savings. So more than ever, investors need to proactively strike a balance between protecting their capital and growing it sufficiently. How do they do that? By being strategically defensive and opportunistically offensive – and taking an active approach both in their asset allocation and how their funds are managed.

Q: What should investors look for in an actively managed ETF?

Hodge: Not all active strategies are alike, of course, so investors need to choose carefully. Some portfolios masquerade as actively managed when in fact they largely mirror their benchmarks, with little value being added for the cost. Truly active managers focus less on the benchmark and more on the ultimate goal of the fund, be it total return, capital appreciation or income. They need to be nimble by maneuvering to avoid pitfalls while also aiming to enhance returns for investors by dynamically anticipating the markets instead of passively following them.

Newport Beach Headquarters
840 Newport Center Drive
Newport Beach, CA 92660
+1 949.720.6000

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Sector Investing Comes In "Small-Cap" Packages

November 11, 2013

Authored by:
Todd Rosenbluth
Senior Director,
S&P Capital IQ Equity Research
@TRosen_SPCAPIQ

Small-cap securities have been in vogue in 2013, with these more growth-oriented U.S. securities leading their larger-cap brethren in performance thus far 2013. Yet, ETF investors pulled money out of these products in October, after strong inflows in September. How should investors look at these trends?

The S&P SmallCap 600 Index is up 33% thus far in 2013, while the Russell 2000 Index is up 31%, both comparing favorably to the still-strong 26% rise of the S&P 500 Index. We believe investors have been willing to take on additional equity risk this year, amid signs of U.S. economic improvement. However, after seeing strong interest from investors in September, investors pulled $45 million out of U.S. small-cap exchange-traded products in October, according to BlackRock, in contrast to inflows of $6.5 billion and $5 billion to mid-cap and broad-based large-cap securities, respectively.

S&P 600 Index constituents are projected to grow 22% in 2013 and 32% in 2014, respectively, according to Capital IQ consensus estimates, compared to 5.7% and 11% for members of the S&P 500 Index. However, not surprisingly, all small-cap sectors are not expected to grow equally in 2014, with Energy, Information Technology and Materials significantly leading earnings prospects of Financials, Telecom and Utilities.

S&P Capital IQ's Investment Policy Committee believes moderate investors should have 4% exposure to small-cap equities in their diversified portfolios, compared to 40% in large-caps and 6% in mid-caps.

In addition to broad-based large-cap products, investors also gravitated toward U.S. sector investing in October 2013, as we think these ETFs enable a more tactical approach at a relatively modest cost. For large-cap sector investors, State Street sector SPDRs are by far the most popular and are tied to S&P 500 Index constituents, but Vanguard, iShares and now Fidelity offer alternatives that are tied to other indices. As such, what's inside an ETF can be notably different, including sub-industry industry exposure and higher weightings toward small- and mid-cap stocks.

But some investors might want a true small-cap sector experience and this is where PowerShares comes in. Three and a half years ago, they began to offer nine sector ETFs, eight of which are tied to just one sector, while PowerShares S&P SmallCap Utilities Portfolio (PSCU 34 Marketweight) has nearly a quarter of assets in Telecom Services stocks.

The largest of the nine is PowerShares S&P SmallCap Information Technology Portfolio (PSCT 42 Marketweight), with just over $200 million in assets, more than double the amount it had a year ago. The ETF, up 36% this year, is well diversified at the industry level with 10% exposure to the Semiconductors, Internet Software & Services, Electronic Equipment & Instruments and Application Software industries. This and the other PowerShares ETFs have a modest 0.29% expense ratio, according to S&P Capital IQ. PCST also ranks favorably to S&P Capital IQ for its bullish technical trends, but this is offset by a number of holdings with below-average S&P Capital IQ Quality Rankings.

The lone Overweight-ranked ETF of these PowerShares small-cap sector offerings is PowerShares S&P SmallCap Industrials Portfolio (PSCI 43 Overweight), which has also seen asset growth in 2013, but is still relatively small with $75 million in assets. Industrial Machinery, Aerospace & Defense and Building Products stocks are among the largest in this ETF, which is up 33% in 2013. A number of ETF's top-10 holdings are considered undervalued based on S&P Capital IQ Fair Value, including Actuant (ATU 38 NR) and Curtiss-Wright Group (CW 52 NR).

However, S&P Capital IQ has an Underweight ranking on PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC 49 Underweight). While this ETF is up 42% this year, according to S&P Capital IQ, a number of stocks are overvalued based on Fair Value, including Hain Celestial Group (HAIN 84 ***) and Casey General Stores (CASY 77 ***). Unlike the two other small-cap sector offerings, this PowerShares one is concentrated at the industry level, with more than half its assets in Packaged Foods & Meats stocks.

Key Takeaways

These ETFs allow tactical small-cap investing, but we think some are better than others.

POSITIVE IMPLICATIONS

ISHARES CORE S&P SMALL-CAP ETF	OVERWEIGHT	[IJR]
POWERSHARES S&P SMALLCAP INDUSTRIALS PORTFOLIO	OVERWEIGHT	[PSCI]
POWERSHARES S&P SMALLCAP INFORMATION TECHNOLOGY PORTFOLIO	MARKETWEIGHT	[PSCT]

NEGATIVE IMPLICATIONS

POWERSHARES S&P SMALLCAP CONSUMER STAPLES PORTFOLIO	UNDERWEIGHT	[PSCC]

The recommendations contained in this Takeaway box are current, and may have changed since the original story was published.

In ranking equity ETFs, S&P Capital IQ reviews both the underlying holdings of the ETF on a valuation and risk basis compared to all other ETFs, and then compares ETF level traits such as expenses, bid/ask spread and volatility.

For investors who would rather gain small-cap exposure through a more diversified ETF, iShares Core S&P Small-Cap ETF (IJR 104 Overweight) with its 0.17% expense ratio could make sense. Its shares are actively traded, with over 800,000 in average daily volume enabling a tight bid/ ask spread, and it offers exposure to all 10 GICS sectors, led by Financials, Information Technology and Consumer Discretionary.

All of these reports and others can be found at the ETF tab of MarketScope Advisor.

November 18, 2013

Social Media Investing: To Like or Unlike?

Authored by:
Todd Rosenbluth
Senior Director,
S&P Capital IQ Equity Research
@TRosen_SPCAPIQ

*Social media, often thought of as a way for people to stay connected with friends and even new acquaintances, has turned into an investment opportunity. Earlier in November, Twit-ter (TWTR 43 **) began trading as a public company, just 18 months after Facebook (FB 48 ***) did so. These two companies and the more established Google (GOOG 1048 ***), which owns and operates Google+, give investors the opportunity to potentially benefit from the growing usage of social media. The question is should they and, if so, what are some ETF options in this space?*

Twitter had 232 million monthly active users around the world as of September 2013, posting some 500 million tweets a day. As impressive as that user base is, Facebook's is even bigger, with over 1.2 billion monthly average users that had over one trillion connections and shared over 240 billion pictures. While social media is not a major business for GOOG, with Google+ we think the company is a leading global player in the category, with a recently indicated 300 million active users.

On November 15, S&P Capital IQ initiated coverage on shares of Twitter with a Sell recommendation. Scott Kessler, an equity analyst for S&P Capital IQ, thinks Twitter has substantial revenue growth potential, given what he sees as a notable multinational brand and user base, emerging monetization efforts, and strength in mobile. He expects revenues will double in 2013 before doing so again in 2014. However, he believes Twitter has been spending to support expansion, leading to considerable losses. Based on peer analysis involving price-to-sales ratios and projected three-year sales growth calculations, he views the shares as overvalued.

Kessler, who also covers FB shares for S&P Capital IQ, sees 40%-plus revenue growth for Facebook in 2013 and 2014, tied to advertising, and sees earnings growth also from operating margin expansion. That said, based on a P/E and P/E-growth basis, he thinks the valuation is reasonable at current levels and does not recommend purchase of the shares.

Taking into account the above stock recommendations, investors who want exposure to these potential strong revenue opportunities, but also the benefits of diversification might be inclined to search for ETFs that have exposure to these social media companies. Using S&P Capital IQ's MarketScope Advisor, we find 17 such ETFs that have Facebook in their top-10 holdings. Meanwhile, 67 ETFs have Google as a top-10 holding, including SPDR S&P 500 ETF Trust (SPY 180 Overweight) and iShares Russell 1000 ETF (IWB 100 Overweight). Naturally, since Twitter just went public less than 10 days ago, it is not yet in these more established, well diversified indices.

However, Twitter was added last week to Global X Social Media Index ETF (SOCL 20 Underweight), joining Facebook, Google, LinkedIn (LNKD 230 NR) and Pandora Media (P 31 *). This ETF, which launched in October 2011, has over $100 million in assets, helped in part, we think, by the 49% year-to-date return it has generated and investor interest in social media investing. However, S&P Capital IQ has an Underweight ranking on SOCL. Past performance is not necessarily indicative of future results and contributing unfavorably to the SOCL's ranking is S&P Capital IQ's view on the valuation of the stocks inside the ETF as of the end of September 2013 (latest used in our current ranking, thus excludes Twitter). Four of the ETF's top-10 holdings, including Pandora Media and LinkedIn, have S&P Capital IQ Fair Value rankings of 1 (significantly overvalued).

Another way investors have benefited from social media trends in 2013, through its holdings of FB and GOOG, is First Trust Dow Jones Internet Index Fund (FDN 56 Underweight), which is up 43%. Over seven years old and with more than $1.7 billion in assets, FDN is one of the more popular information technology ETFs. We believe it offers a combination of stocks with a clear social media angle and those without one, such as Netflix (NFLX 343 **) Unfortunately, many stocks inside FDN are considered overvalued and as incurring high risk, according to S&P Capital IQ. According to First Trust, the index FDN seeks to track requires three months of trading history of its constituents, which means Twitter could not be a holding until 2014.

Click here for complete reading

Global Bonds: Market Review & Outlook

December 2013

Fixed-income markets have rallied over the past two months, following summer fears of Federal Reserve Board (Fed)[1] "tapering." The Fed's pronouncement that it would be able to unwind its quantitative easing[3] program as soon as the middle of 2014 was based on its expectation of gross domestic product (GDP)[2] growth of just under 3% through the end of next year. Such a growth rate would bring the unemployment rate down, leading the unwinding of the asset purchase program implemented to achieve that goal. The markets' fear of such outcomes led to tightening projections in the forward markets, which Western Asset believed were unlikely to be realized.

In response to this market action, the Fed walked its projections of tapering back, to some extent, and it also emphasized its commitment to continued low rates even after its balance sheet expansion ends. Similarly, market and Fed expectations of growth have moderated on softer than expected economic data. These changes have brought yields somewhat lower. But, Western believes the continued softness in inflation has been an ongoing support for the bond markets.

Global bond outlook

Western continues to be constructive on the corporate market, with a bias toward emerging market corporates. We have identified some good strong companies with solid balance sheets and attractive valuations in sectors that we like, as well as in countries that we feel comfortable with.

Our view is that the U.S. and global recoveries will continue to improve, but at a moderate pace, and needs to be monitored closely. Low and falling inflation is a potential warning sign for both corporate top line revenues and economic growth. Western intends to follow carefully both its path and that of policymakers' responses. Global central banks' policies will need to stay exceptionally accommodative.

Emerging market countries in particular have seen some deteriorating fundamentals. We're seeing some growth forecasts revised downward. At the same time, current account deficits in some countries are rising. We don't think this is comparable to the late 1990s Asian crisis, as the fundamentals and emerging market countries are much stronger than they were during that period. In fact, we think that many people have become a bit too negative on the asset class. While there are countries that have troubles, overall we feel the asset class still offers good relative value over the long term.

Looking more closely at the fundamentals, inflation remains very low in most countries. A lot of countries are using inflation targeting, which has been very successful and has resulted in single-digit inflation for a long period of time. In addition, most countries have very high levels of reserves. Against a backdrop of low inflation and high reserves, many developing countries can use countercyclical measures on the monetary policy side and, to some extent, on the fiscal side, as well. The other fundamental that we believe doesn't get enough consideration is the fact that most countries have dramatically reduced their level of external debt, or debt denominated in U.S. dollars. Furthermore, very few countries and companies have significant refinancing needs, and they continue to have access to the credit markets.

Overall, we really don't hear much about countries being close to default or in a balance of payments crisis. That's a function of their fundamentals being so much better. We also think that more flexible exchange rate regimes have been very successful, as they're able to take some of the volatility away from incoming economic data. Another positive is that most emerging countries have become focused on their domestic economies. As such, they have seen significant improvements in terms of a growing middle class that has access to credit.

Western Asset Global Corporate Defined Opportunity Fund Inc. (GDO)

One strategy that seeks to find opportunities in global bonds is **Western Asset Global Corporate Defined Opportunity Fund Inc. (GDO)** offers global bond exposure with a limited term structure that will liquidate on or about December 2, 2024. The Fund seeks current income and capital appreciation through investments in global corporate fixed-income securities.

All investments are subject to risks, including the possible loss of principal. The Fund's investments are subject to credit risk, inflation risk, and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's share price. The Fund may invest in lower-rated high yield bonds which are subject to greater credit risk (risk of default) than higher-rated obligations. Investments in foreign securities involve risks, including the possibility of losses due to changes in currency exchange rates and negative developments in the political, economic, or regulatory structure of specific countries or regions. These risks are greater in emerging markets. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Distributions are not guaranteed and are subject to change.
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value (NAV) is total assets less total liabilities divided by the number of shares outstanding. **Market price,** determined by supply and demand, is the price an investor purchases or sells the fund. Investment return, market price and net asset value will fluctuate with changes in market conditions. The Funds are subject to investment risks, including the possible loss of principal invested.

For more information about any of our closed-end funds, including long-term performance, risks, expenses and fund objectives, please visit www.lmcef.com.

[1] The **Federal Reserve Board ("Fed")** is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

[2] **Gross Domestic Product ("GDP")** is an economic statistic which measures the market value of all final goods and services produced within a country in a given period of time.

[3] **Quantitative easing** is an unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity. Quantitative easing is considered when short-term interest rates are at or approaching zero, and does not involve the printing of new banknotes.

Opinions shared in this commentary are current as of the date indicated, and are subject to change based on markets and other conditions. These opinions do not constitute, and should not be construed as, investment advice or recommendations. The opinions expressed are those of the portfolio managers indicated and may differ from the views of other managers or the firm as a whole. And they are not intended to be a forecast of future events or a guarantee of future results.

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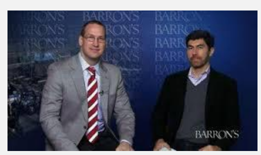

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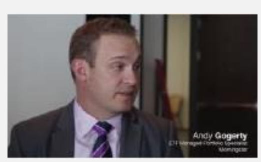

November 6, 2013
Andy Gogerty from Morningstar: *ETF Growth Themes: Strategists and Managed Portfolios.*

Aberdeen

Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc.* (ETF)

Economic & Market Overview

November 2013

Emerging market equities extended their gains in October as the U.S. budget deadlock gave way to a temporary deal to lift the debt ceiling and the Federal Reserve (Fed) kept its bondbuying program intact. An improvement in Chinese data also eased worries of a sharp slowdown.

On the economic front, a pick-up in China's third-quarter Gross Domestic Product (GDP) growth and manufacturing activity in October added to signs of stabilization. South Korea's economy also expanded as greater private consumption and investment offset the decline in exports. Brazil's
industrial production rose less than expected, while the fiscal deficit widened significantly, fuelling concern that the nation's credit rating may be downgraded. A sharp slowdown in Mexico led the central bank to halve this year's growth forecast and trim interest rates amid receding inflation.
Although the new levies on junk food and soft drinks – which are likely to be passed on to consumers – could fuel price increases, the overall effect on inflation is expected to be relatively negligible.

Interest rates in Hungary were cut to a new record low of 3.4%. The country's economic recovery appears to be lagging its eastern European counterparts in the Czech Republic and Poland, although industrial and consumer confidence surveys have improved. Brazil raised interest rates for the fifth time since April in its ongoing battle against inflation. India, too, hiked interest rates while rolling back the remaining liquidity-tightening measures imposed to support the rupee. Monetary policy remained broadly unchanged elsewhere.

Hopes for continued stimulus from the Fed have provided a respite to battered emerging market equities, but caution is still needed as uncertainties persist. Chief among these is where China's economy is headed. Attention will be on the gathering of the mainland's political elite and whether new reforms will be announced to push the economy towards its next stage of development. In the U.S. uncertainty surrounding the fiscal policy remains a concern. While the budget and debt ceiling issues have been deferred for now, more cohesive negotiations will be required in the months ahead. Meanwhile the potential tapering of quantitative easing is likely to depend on an improvement in the strength of the U.S. economy. In the long run, a recovery in the U.S. is positive for world growth, though in the short run it could result in painful market adjustments as liquidity is withdrawn and yields adjust upwards. Meanwhile, policymakers in developing economies face the challenge of pushing through difficult structural reforms necessary for sustaining future growth. We remain focused on companies that we think can get through difficult times and emerge stronger. We believe this focus on fundamentals will serve our clients well in the long run.

* As of March 15, 2013, Fund name changed from Aberdeen Emerging Markets Telecommunications and Infrastructure Fund, Inc.

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Exploring the Real Benefits of Real Assets

November 2013

Authored by:
Vince Childers, CFA
SVP, Portfolio Manager
Cohen & Steers

Edited by:
Parke Miller Johnson
Cohen & Steers

We believe that the need for investors to diversify beyond traditional allocations to stocks and bonds will take on a greater level of importance in the years to come. Our research makes the case for adding the complementary diversification potential of real assets as a core component of investors' long-term investable assets.

While many investors have focused almost exclusively on their inflation hedging potential, our research-based framework suggests that real assets are, in fact, likely to offer a far richer array of benefits—regardless of the inflationary backdrop. We recommend an active approach to real assets investing that combines tactical, top-down views with bottom-up fundamental research. We underscore the importance of risk management as an integral part of any real assets investment process.

Executive Summary

We believe the likelihood that investors will need to diversify well-beyond traditional stock and bond allocations will rise significantly in the years to come. Our rationale is simple: chances are that the decades ahead will not be buoyed by an extension of the bull market for bonds that spanned the past 30 years. With bonds at an increased risk of delivering returns below their historical averages, a greater reliance will fall on stocks to deliver attractive long-term returns. More worrisome, though, is that a backdrop of sub-par performance from bonds will increase the potential for investors to suffer a greater frequency of periods when both stocks and bonds underperform simultaneously, as they did regularly prior to the 1990s. We view this as a material risk for stock-and-bond-centric portfolios, with potentially damaging consequences for investors relying on their investments to support long-term purchasing power throughout their retirement years.

In our view, investments in real assets—properly diversified and skillfully managed—offer unique diversification benefits that can aid in managing many of the long-term risks associated with a traditional allocation to stocks and bonds. Real assets offer an exceptionally large investment universe made up of diverse subsectors across many different industry groups. However, this complexity calls for a framework that approaches the various categories of real assets as a unique, but coherent, asset class. Our research-based framework emphasizes three key criteria that should be met in building a long-term, strategic allocation to real assets:

1. Diversification Potential: The potential to outperform during periods of joint stock and bond underperformance.
2. Expected Return Potential: The potential to provide attractive long-term expected returns across a full-market or economic cycle.
3. Inflation Sensitivity: The potential to show higher sensitivity than stocks or bonds to "unexpected" inflation accelerations—surprise conditions that can create an especially difficult environment for the investor concentrated in stocks and bonds.

This paper is focused on four core categories of liquid real assets—real estate, commodities, natural resource equities, and infrastructure. Significantly, our research finds that the performance potential of a diversified allocation to real assets is not dependent on the inflationary backdrop, a concern that has preoccupied many investors in the past. However, while inflation is not central to the case for real assets investing, we argue that active management—with respect to both return and risk— is essential to optimizing the investment potential of real assets. In our judgment, both top-down tactical allocation and the fundamental research that drives bottom-up sector and security selection can play powerful roles in the management of a real assets portfolio, provided that the implementation is undertaken as part of a disciplined risk-management process. Properly managed, we believe real assets can serve as an ideal complement to a broader investment portfolio.

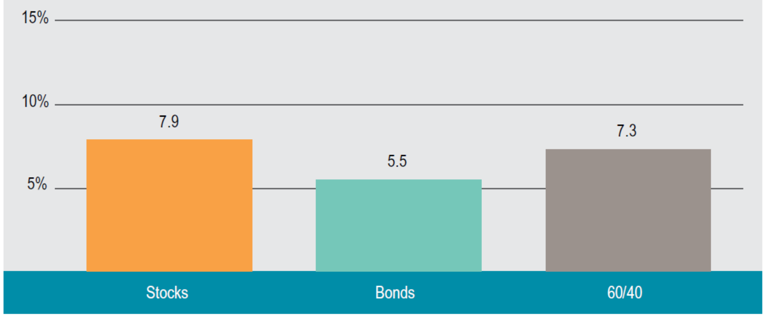
Introduction: Common Advice, Uncommon Results

Life is short, or so goes the cliché. But as a practical matter, the opposite could be far more likely, based on the actuarial tables. Data compiled by the Social Security Administration projects that a man aged 65 today can expect to live until 84, while a 65-year-old woman can expect to live until age 86; so both could live for several decades in the years of retirement. And these figures only reflect the average expectation—about 25% of 65-year-olds today will live past age 90, and 1 out of 10 will live past age 95(1). What is more, life expectancies are on the rise. In the years to come, many investors will need to be financially prepared for a retirement horizon expected to represent, on average, about one-quarter of their entire lifespan. Life is long, indeed.

With these expectations in place, the burden on investors to build and grow an asset base that maintains the purchasing power necessary to support a future rate of spending—often tapped in their very-distant future years of retirement—is paramount. But this argument is not limited to the individual investor. Pension funds must consider unfunded liabilities; endowments and foundations must build sufficient income to fund future obligations. In short, many types of investors depend critically on adequate inflation-adjusted (or "real") returns to meet their long-term investment and consumption objectives.

Responding to these needs, the industry standard of investment advice has gravitated towards a core strategic allocation based on a balanced stock-and-bond approach for the long-term investor. Unsurprisingly, the history of the past several decades validates precisely this advice. As Exhibit 1 shows, a portfolio divided between stocks (60%) and bonds (40%) over the 30-year period from September 1983 through September 2013 delivered an annualized inflation-adjusted return of 7.3%, with stocks delivering a real return of 7.9% and high-quality bonds returning 5.5% after inflation. Moreover, these returns were achieved very efficiently, with a near-zero correlation[2] of monthly stock and bond returns, indicating substantial diversification benefits, at least on average.

Exhibit 1: The Real Returns of Stocks and Bonds
Annualized Real Returns, September 1983 through September 2013



At September 30, 2013. Source: Bloomberg and Cohen & Steers.
Performance data quoted represents past performance. Past performance is no guarantee of future results. An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin.
Stocks are represented by the S&P 500 Index. Bonds are represented by the BofA Merrill Lynch U.S. 7–10 Year Treasury Index. 60/40 refers to a weighted average of index returns, calculated as 60% attributable to the S&P 500 Index and 40% attributable to the BofA Merrill Lynch U.S. 7–10 Year Treasury Index, rebalanced monthly. See page 22 for index definitions.

(1) http://www.ssa.gov/planners/lifeexpectancy.htm.
(2) Measured correlation of monthly returns over this period is 0.02. Correlation is a statistical measure of how two securities move in relation to each other.

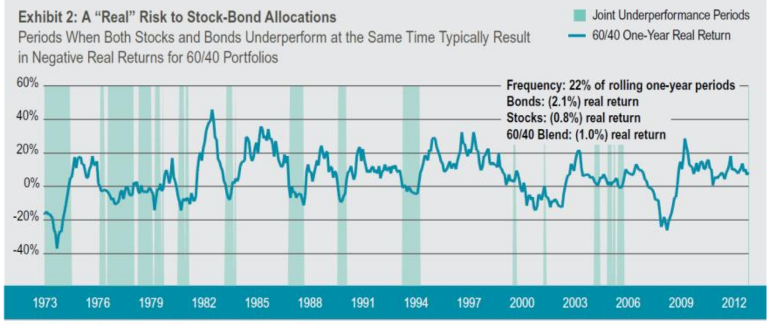
In our view, these are impressive results by virtually any standard. However, we maintain several concerns about the use, or misuse, of this historical record. First, while we agree that traditional stocks and bonds both should play a material role in the asset allocations made by most investors, we caution against extrapolating guidance too readily from these data on how to build long-term allocations going forward. In behavioral finance terms, this mindset is called recency bias—the preference of using our recent experience as the baseline for what will happen in the future.

It may seem surprising to some that we would consider 30 years of historical returns to be insufficiently deep. But the reality is that the return picture is altered materially by simply extending the return history an additional decade, to January 1973.[1]

- Over the more than 40-year period from January 1973 through September 2013, stocks delivered an annualized real return of 5.8%; the real return from bonds was 3.7%, and the 60%/40% stock-bond blend returned an inflation-adjusted 5.3%. While these are still very respectable inflation-adjusted returns, they are materially lower—200 basis points lower for the 60%/40% portfolio—than the history described earlier using the early 1980s as a starting point.
- More importantly, when we extend our analysis to examine the frequency of periods when stocks and bonds both underperformed their respective long-term averages at the same time—periods that clearly represent substantial risks to stock-and bond-centric allocations—the picture is even more surprising.

Exhibit 2 shows rolling 12-month real returns for the 60%/40% blend of stocks and bonds from January 1973 through September 2013. The highlighted periods in green represent one-year periods in which stocks and bonds simultaneously delivered below-average inflation-adjusted returns. We expect many investors will be surprised to find that across the entire sample, these fluctuations turned out to be relatively common. In fact, they occurred in 22% of all rolling one-year periods and resulted in average annualized inflation-adjusted returns that were meaningfully negative for stocks, bonds and the 60%/40% blend of the two.

Exhibit 2: A "Real" Risk to Stock-Bond Allocations
Periods When Both Stocks and Bonds Underperform at the Same Time Typically Result in Negative Real Returns for 60/40 Portfolios



At September 30, 2013. Source: Bloomberg and Cohen & Steers.
Performance data quoted represents past performance. Past performance is no guarantee of future results. An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes. There is no guarantee that any historical trend illustrated above will be repeated in the future, and there is no way to predict precisely when such a trend will begin.
Stocks are represented by the S&P 500 Index. Bonds are represented by the BofA Merrill Lynch U.S. 7–10 Year Treasury Index. 60/40 refers to a weighted average of index returns, calculated as 60% attributable to the S&P 500 Index and 40% attributable to the BofA Merrill Lynch U.S. 7–10 Year Treasury Index, rebalanced monthly. See page 22 for index definitions.

(1) Data for both the S&P 500 and BofA Merrill Lynch U.S. 7–10 Year Treasury Index were available beginning in 1973.

Much lower is the 11% frequency of such periods over the past 20 years. Notably, since 2006 there have been no periods in which the real returns of stocks and bonds simultaneously fell below their long-term averages. What concerns us about these trends is that the shorter the historical look-back period, the easier it is for investors to become complacent about the likelihood—and therefore the attendant risks— associated with periods when both stocks and bonds simultaneously deliver below average returns.

In our view, overlooking this risk is particularly problematic today given that, in large part, the exceptionally low frequency of joint stock and bond underperformance in recent years is attributable to the relative strength of bond returns, compared with longer-term averages. In our assessment, the longstanding bull market for bonds, which has been in place since the early 1980s, has represented a monumental "free lunch" for investors, stemming from a massive secular decline in bond yields.

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Mitigating Interest Rate Risk

Since the Federal Reserve raised the prospect of tapering its bond buying program, many investors have become increasingly concerned about the impact of rising rates on their asset allocations, especially longer-term U.S. government bond holdings.

Positioning a portfolio with an eye to managing interest rate risks is challenging because it's impossible to know when rates will move up, or how quickly, or for how long. This spring, interest rates spiked at the mere suggestion of a tapering, only to come back down as the Fed decided to forestall the tapering. We believe that a rise in rates is not imminent and that quantitative easing will continue at least until March, when Janet Yellen will assume the reins from Federal Reserve Chairman Ben Bernanke.

Amid the uncertainty, there is time to be proactive. Investors have an opportunity to position their asset allocations ahead of the curve and potentially mitigate the deleterious effect of rising interest rates. We believe that:

1. **Equities remain attractive.** The Federal Reserve has made clear its intention to keep rates low until employment data is better, an indication of a stronger economic recovery. Historically, higher price-to-earnings ratios have accompanied periods of moderately higher rates that occurred during periods of economic expansion. Income-oriented investors can consider allocations to dividend growth securities, which may be able to provide a distribution stream that keeps ahead of the inflation often associated with higher interest rates.

2. **Convertibles provide a "best of both worlds" approach.** Historically, convertible securities have been less susceptible to rising interest rates because they offer equity participation as well as coupon income. Figure 1 illustrates how this reduced interest rate sensitivity contributed to compelling performance during periods when 10-year Treasurys rose more than 100 basis points. Moreover, we believe the merits of these hybrid securities can be significantly enhanced through active management—making them a good choice for full market cycles, not just periods of rising rates.

3. **Traditional bonds warrant caution.** U.S. government bonds have been especially vulnerable to rising rates because their yields become less competitive when bonds are issued with coupons tied to the new higher interest rates. For investors who wish to diversify away from equities, high income corporate bonds may provide a good alternative, particularly mid-grade bonds with moderate durations. (Duration is a measure of a bond's interest rate sensitivity, with higher durations indicating more sensitivity.) Liquid alternative strategies, such as a market neutral income approach, can also provide income opportunities with less interest rate sensitivity.

CONCLUSION

A rise in rates looks inevitable. The bad news is that we don't know when it will happen. As we've seen in the 1970s, 1980s, and once again in 2013, sharp spikes can occur with little notice. But at this point, the good news outweighs the bad: Investors have time to revisit their asset allocations and work with a trusted advisor to shift their portfolio into strategies that are more rate resilient—and still aligned with their long-term goals.

Authored by:
John P. Calamos, Sr.
CEO & Global Co-CIO
Calamos Investments

FIGURE 1. IN RISING RATE ENVIRONMENTS, CONVERTIBLES HAVE HELD UP WELL

Bonds tend to lose value in an environment of rising interest rates. However, convertible returns have tended to more closely reflect equity returns than bond returns when the 10-year Treasury yield rose more than 100 basis points.

	10/15/93 - 11/7/94	1/18/96 - 6/12/96	10/5/98 - 1/20/00	11/7/01 - 4/1/02	6/13/03 - 6/14/04	6/1/05 - 6/28/06	12/30/08 - 6/10/09	10/7/10 - 2/8/11	7/26/12 - 9/6/13
Yield Increase (bps)*	287	154	263	125	176	136	189	115	155
BofA Merrill Lynch All U.S. Convertibles Index	-2.28%	11.97%	68.85%	2.29%	11.49%	9.46%	24.68%	11.63%	25.43%
S&P 500 Index	2.22	11.42	46.59	3.07	14.66	6.71	9.41	14.89	26.91
Barclays U.S. Government/ Credit Index	-5.15	-4.08	-3.38	-3.09	-3.64	-1.49	-2.08	-3.94	-3.62

Past performance is no guarantee of future results. *10-year Treasury yield. Performance shown is cumulative. Sources: Morningstar and Bloomberg (Data as of 9/30/2013)

"amid the uncertainty, *there is time to be* proactive."

The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Equity securities are subject to "stock market risk" meaning that stock prices in general (or in particular, the prices of the types of securities in which an investor invests) may decline over short or extended periods of time. Fixed income securities are subject to interest rate risk. If rates increase, the value of fixed income investments generally declines.

The Bank of America Merrill Lynch All US Convertibles Ex Mandatory Index (V0A0) is broadly representative of the U.S. convertible securities market, consisting of publicly traded issues, denominated in U.S. dollars, of all credit qualities, and excluding mandatory (equity-linked) convertibles. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect any fees, expenses or sales charges. Investors cannot invest directly in an index.

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- Aberdeen Singapore Fund, Inc.(1) Announces Performance Data And Portfolio Composition: Dec. 6. 2013
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- Blackrock(R) Announces Final Nov. Monthly Cash Distributions for the iShares(R) Premium Money Market ETF: Nov. 25. 2014
- Calamos Announces Board Change and Intent to Form Calamos Partners: Dec. 3 ,2013
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Changes in the Money Market Landscape and Implications for ETFs

Wednesday, November 13, 2013 | 2:00 PM ET

Jerome Schneider - Thanks very much, Paul, appreciate it. And thank you for the opportunity in joining us today. Just as a matter of course, I'll be going through the presentation and then just, sort of, to set the stage we'll give you a brief overview of how we manage and how we think about cash and cash management and, most importantly, the short-duration space, which is... has transformed itself since 2008 and in remarkable ways and will continue to transform itself.

And the key notion for investors, whatever the reason that they're thinking about participating in a short-duration landscape, the idea is that it is an actively changing environment and it's influenced by regulatory changes, it's influenced by changes of supply, i.e. the investable assets you can invest in, and it's obviously impacted by rates and credit spreads. And as such, we have to be nimble as investors to adapt to these changes. And no single strategy without... that is inflexible will necessarily be the cure all for simply reducing spread or reducing interest rate exposure versus being further out the curve in terms of spread and duration.

So the most important thing that we would caution our investors is be mindful of the changes that have taken place over the past five years since Lehman Brothers and really since the regulatory changes of 2010 and put them in a context of being able, as guardians of capital, to actively and proactively, most importantly, shepherd that capital in ways which help preserve it and grow it ultimately. And that's what we're going to be discussing today. So in order to do so we're going to be doing a brief overview of the money market environment and just discussing, you know, what it is we've seen evolve in the past few years.

Secondly, we're going to be looking at what options do we have or what options can we put cash to work, i.e. let's earn something above a 0% return. You know, there is ways to do that and we'll be discussing that. And most importantly, especially in the ETF landscape, how do we manage actively versus passively. And in that context it really differentiates... we really need to differentiate in terms of how your managers' expertise lands itself to that actively versus passive discussion and, most importantly, the liquidity within the instrument or within the ETF that you have in relation to the managers' expertise.

So from... as we turn to page three, what we really have to focus on is that 0% interest rate environment. We've seen obviously is the Fed reducing rates over the past few years and now we're basically at a 0% effective Fed policy. It's also combined with a variety of changing liquidity dynamics within the broader landscape. Regulation, which is driven obviously by the SEC regulation of money market funds in 2010 and what's pending now, we obviously have larger regulatory frameworks which will impact banks and bank liquidity, such as Basel implications for 2014 and beyond. And even here in the United States we have supplemental leverage ratios which are going to impact banks' ability to provide liquidity.

All in all, even though our investors are really to be mindful of liquidity and capital preservation, those once went hand in hand, and they predominantly went hand in hand in terms of money market funds, but that may no longer be the case. As we see on page three, you know, being invested in money market funds used to yield something that was quite substantial. In those days, in years past, it would yield, you know, two, three, four, 5% or even more for investors. And no-one really argued with that factor, being invested in money market funds because the nominal returns were substantial

Featured Speaker

Jerome M. Schneider
Head of Short-Term Portfolio Management
PIMCO

enough to warrant being invested. But it's come to investors' attention these days, being invested in money market funds has its own cost.

And that's clearly articulated on page three, that if you took, you know, $100,000 and invested that over the next ten years, and the average money market fund yields less than one basis point net to our investors, that's one basis point, $200 after ten years of work. That's hardly worth the trouble of being invested. And when you combine that with the fact that most money market funds are taking some form of credit risk in the form of certificates to deposit or commercial paper in order to even return you that one basis point, you question if the risk you're taking is commensurate with the reward you've got, the reward you have.

So for us, capital preservation might be the ultimate goal, and it might the goal of many investors in money market funds, but the reality is the landscape is changing. And that landscape is changing in two regards. One, you have money market reform, which I'll speak to in a few moments, and two, you have supply considerations which we must adapt to. But the foremost thing that we have is really low rates going forward, and low rates are going to be the determining factor in terms of how to avoid 0% and trying to find opportunities that yield north of that.

As we turn to page four, what we really obviously see is the dynamics that the Fed is dealing with, and that's basically low inflation and relatively high structural unemployment and relatively high unemployment just speaking. So even though we're transitioning from a Bernanke Fed to a Yellen-chaired Fed, you know, the notion of a dovish Fed is going to remain intact for some period of time, and, as such, as long as inflation remains low for the considerable period we're going to have trouble seeing an increase in interest rates, especially in the front end. So for us, you know, simply hoping that rates will increase for the next two years and beyond may not necessarily be the best, most opportune situation for frontend participants, so we need to find other ways, clearly, to help balance performance and balance capital preservation while preserving our capital. But it's not so easy, as I alluded to a moment ago.

And then on page five we can see that there's obviously a good demand for assets in the frontend space, which is dominated predominantly by money market fund assets. And as you see, they've been relatively flat on the year in terms of the money market fund balances, up marginally about 25 billion year to date, and that's the blue line you see on page five. While on the yellow line we actually see the cumulative assets that those money markets funds and really one year or less duration assets that, you know, the frontend strategies can invest in has actually declined. So we have a clear supply-demand mismatch growing.

This imbalance is actually going to make it more difficult for money market funds to remain invested. And then one of the main drivers of this is their... one of their... two of their key components being treasury bills, agency discount notes, and those go hand in hand, and then finally, repurchase agreements, overnight repo agreements which the banks offer, those are all declining in terms of their supply and banks are simply needing less financing because they're reducing their own balance sheet. So the available supply of repo out there is declining as well.

So what does that mean? What it ultimately means is that as demand increases and as supply decreases, you know, there are... there's obviously going to be a cost to that. And that cost comes in the form of lower yields, richer yields, higher prices, effectively, remaining in that front end of the curve. And so investors in money market funds have little hope of earning more than that one basis point and in fact it could potentially go to zero as a result. So there will be a known cost for being and participating in those type of funds going forward.

So the other structural element that money market investors need to be aware of briefly is the money market reform on the horizon. And this, with almost all surety, is going to happen in some way, shape or form, whether it's through the two alternatives we've outlined here on page six, being moving to a floating NAV, similar to any mutual fund, or moving to a liquidity fee arrangement whereby the manager of a money fund could potentially put up gates in order to relieve stress-[enduring] liquidity events. Both of these, what it... no matter how investors think about it, both of these change the paradigm, the working paradigm of obtaining your money at any point in time that affects NAV. And so there is effectively a cost and a risk, a tail risk that investors have to think about in terms of these new reform measures.

And while it's not going to happen today or tomorrow, it will happen sometime next year, where the market will have adapt to these changing environments. And even though that might happen, one of the risks that we have is that for institutional investors, the larger investors, they're going to have to contend with the fact that there might be more favouritism or more favoured positions being in government-only money market funds as opposed to prime money market funds which can take credit risk. And at that point in time the providers of those funds, the providers of those government money market funds might in fact need to close the funds to additional... potentially additional deposits and contributions. And so as such there might just be a limited amount of availability in the money market fund space.

So with rates low, near zero, with money market funds relatively unappealing, with the decreasing supply of investable assets, we have to find different ways to put our options to work. And that's the key to this discussion today, is that when we look at page eight, which those are basically the options that we see today, we see certificates of deposit, which some come insured from the FDIC or other banking institutions. Those have been traditionally viewed as relatively safe, but they lack liquidity in many regards, especially in smaller denominations. And on the institutional side, is they might lack the FDIC insurance. So there effectively could be misprice versus the credit risk that you might be ultimately taking to those institutions. The second one obviously is money market funds. We just spoke about those.

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Navigating the ETF Landscape: Current Trends and Opportunities

Tuesday, November 19, 2013 | 11:00 AM ET

Dodd Kittsley - Thanks so much, Nicolas. And on behalf of BlackRock and iShares, it is an honor to be presenting today. Thank you all for tuning in. As Nicolas mentioned, 2013 has certainly been a dynamic and very exciting year for the ETF industry. It has been one that we have seen actually an acceleration in growth, so what I thought would be most useful is first I am going to go through some of the trends that we have seen both in terms of fund flows, investor activity, and then share with you where we are going. At least in our view we have built at BlackRock a US Exchange Traded Product Industry Growth Forecast for the next five years. And then finally, as Nicolas mentioned, I wanted to share with the audience some of the key questions to consider, the metrics to take a look at when selecting among the 1,500 plus Exchange Traded Funds that are available to investors today.

Unfortunately I am not controlling the slides, but I will go in sequence and will periodically just refer to the page number that we are going on. So let's get started, let's first turn to page four and this is a standard chart that many of us have seen where it is just showing the real trend in growth that we have seen both in terms of assets and number of funds by year. The key thing to keep in mind is that 2013 already has been on an enormous growth rate. We have been over 20% which is just under the 23% growth that we have seen organically on average over the last ten years. So we are expecting to see an acceleration there and it has been nothing short of amazing. We are now at $1.6 trillion in assets and assets continue to growth both in terms of user base as well as those using ETFs are increasing their allocation, which we have seen in a lot of anecdotal studies.

Another trend that is not on this chart that I think is one worth noting is investor activity around the Exchange Traded Funds. And ETFs current account for roughly one out of every $4 traded on US Equity Exchanges. And that has been a really good thing, because what it has done is lead to lower cost of investing in Exchange Traded Funds by compressed spreads. And we are going to talk about that a little bit, look at over the history of at what times does ETF volumes peak, but something very exciting and I think it unlocks one of the real benefits that ETFs offer in terms of lower total cost for giving economic exposure to a variety of different asset classes.

Now certainly the blue line here, the number of available products is both a very good as well as a controversial thing in that investors do have over 1,500 ETFs to choose from. In many categories, there are a variety of different choices and that is why we are going to conclude the presentation today with really the key things to look at from an investor perspective when selecting among the 60 plus large cap Exchange Traded Funds or the six biotechnology Exchange Traded Funds that are available.

Moving on to the next slide, another that we have seen is an increase in the number of ETF issuers. Well over 50 issuers in the US today. Many new issuers have either come in the market or filed with the SEC, so we are expecting more and more to enter the market. That being said it still remains a relatively concentrated industry. iShares has been incredibly fortunate here at BlackRock to be the industry leader in a 39% market share, pretty consistent with our global market share as well. But certainly have other large providers such as State Street and Vanguard that make up the bulk of the assets. In fact 81% of the assets in Exchange Traded Funds are held by those three asset managers.

Featured Speaker:

Dodd Kittsley, CFA
Director, Global Head of ETP Research
BlackRock

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We are going to talk a little bit on the due diligence question about the importance of a manager because who is behind managing your ETF assets is arguably as important as who is behind managing your Mutual Funds in other investments. It is a key due diligence question to ask and it does have true economic ramifications in your choices.

And then on the right hand side we are looking at what I think is really the most encouraging trend that we have seen with Exchange Traded Funds and that is really the increase in breadth of exposures that ETFs offer. It used to be a story around mostly equities and certainly equities on the domestic and international front still do dominate, but we have seen enormous growth in fixed income as well as asset classes in niche areas and strategies within equity that we will talk a little bit about later on in the presentation.

So let's move to 2013 and what has really been happening this year. Page six highlights the flows into equity Exchange Traded Funds which has been incredibly strong, incredibly consistent. In fact we have seen over $200 billion flow into equity Exchange Traded Funds already. Almost double the total that we saw last year. It has been really a story of developed market equities and the majority of the flows have gone into US equity. So, about $120 billion into US equity exposures, both broad market as well as this includes sectors and other very specific segments of the US equity market.

Some of the surprises this year that we have seen is flows into Japanese equity Exchange Traded Funds. At least in terms of magnitude, it is not surprising with certainly the economic environment over there and actions of the Japanese Central Bank, but $34 billion plus has flown into Japanese equity Exchange Traded Funds. And that has been fairly consistent since February. A more recent trend that we have seen is flows really beginning in June and July into Pan European developed market Exchange Traded Funds. So investors seeking broad exposure to the European region, in many cases specifically the Euro Zone in terms of getting equity exposure. We have seen those allocations go more to either market weight from underweight for some taking more of a tactical play and going overweight diversified European equities. In fact we have seen record flows into that category for three consecutive months, so a real shift there.

The only category within equities that is really in the red this year, remains emerging market equities. And that is a real interesting story because in January on the heels of a record year last year, $55 billion into emerging market equity ETFs, in January we saw about another 11 billion in. Since that time we have seen successive months of outflows, though that has shifted and in September and October we have seen a warming of sentiment towards emerging market equities, likely due to the attractive valuations and certainly the underperformance of emerging market equities relative to developed. But we have seen sentiment change to be more neutral to modestly positive.

Moving on to fixed income; fixed income has been the fastest growing segment of the ETF industry over the last five years. In fact really since 2005 the fixed income Exchange Traded Products, Exchange Traded Funds have grown from 5% of the industry to currently 15% today. Last year we saw record flows of $70 billion but in 2013 it is really a tale of two cities here. We are seeing clear investor preference for short maturity which includes floating rates, note products, bank loans and shorter maturity, shorter duration products. Generally less than one year or one to three years in stated maturities. In fact the growth has been so strong that it really has kept the category positive with about $33 billion into that category.

If we take all other maturity buckets, you are actually seeing outflows for the month of about $8 billion. And that is one of the reasons why we think fixed income will continue to growth even in a rising rate environment because of the diversity of exposures, the number of precise exposures that investors can access through the ETF market to be able to control their duration and be able to control their risk in a liquid transparent way.

Commodities on the next page, page eight, is always an interesting story within the lens of Exchange Traded Funds. Generally when you are talking commodities the majority of the assets are invested in gold Exchange Traded Funds, so that really does drive the headline number for commodities and certain this year with the selloff in gold and for the challenges and headwinds for the yellow metal we have seen meaningful selloff. In fact $35 billion of outflows in gold Exchange Traded Products; there is still significant critical mass in that product but I think you know gold Exchange Traded Funds provided and avenue of liquidity to reflect their view of relatively negative sentiment and weak performance in the metal.

It is also interesting the other categories so again less than 25% of assets for the overall category, but really haven't seen much activity in either direction for either diversified commodities or anything specific like energy, agriculture, what have you. So, not a lot of activity there.

Moving on to page nine, this to me I think is one of the most interesting observations that we have made this year and it has really been a pretty strong trend. We looked at both assets and flows into products weighted by market capitalization, which is the standard beta, standard market exposure index that ETFs track, and non market cap weighted indexes or Exchange Traded Funds. The non market cap weighted Exchange Traded Funds make up about 15% of all global equity assets in ETFs, yet this year they represented about 30%, $59 billion of investor money, new investor money being invested in equity Exchange Traded Funds. Very interesting and it is really a telling story around the growth of strategic data in other types of categories that are strategy or objective based.

So peeling the onion a little bit, on the next slide, you know one of those categories that is really driving the non market cap weighted growth is Exchange Traded Funds based on indexes that are weighted by some sort of yield or dividend measure. The dividend income category is very rapidly growing. It is over $100 billion and in 2013 we have seen over $20 billion flow in already year to date. This is the category that has had positive flows nearly every single month over the last [three] years, you can't really find a category like that around.

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