Capital Link's
CEF & ETF Monthly Newsletter
June 2014
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Capital Link's Closed-End Funds & Global ETFs Webinar Series

Managing a Declining Euro

Date: Tuesday, July 15, 2014
Time: 11:00 AM - 12:00 PM ET

This webinar will qualify for 1 CE Credit

Join us for a complimentary webinar!

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Luke Oliver

Deutsche Asset & Wealth Management

Overview

Eurozone growth has fallen short of expectations since the beginning of the year, as the euro has weakened and investors take a “wait and see” attitude regarding the European Central Bank’s (ECB) actions. However, leading indicators are signaling an acceleration of growth and increasing economic stability.

Capitalize on a strong European outlook with:

- Deutsche Bank's views on Europe and the euro
- Selecting a suitable European product during a declining euro

Featured Speakers

- **Luke Oliver,** *Director, DBX North America,* Deutsche Bank

» READ FULL BIO

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.**

Participant: Deutsche Asset & Wealth Management

UPCOMING CEFs & ETFs WEBINARS

Register at: www.capitallinkwebinars.com

- JUL. 30 — Wednesday, July 30, 2014 - World Gold Council (WORLD GOLD COUNCIL)
- AUG. 5 — Tuesday, August 5, 2014 - Cohen & Steers (COHEN & STEERS)
- SEP. 23 — Tuesday, September 23, 2014 - RevenueShares (RevenueShares™ REVENUE WEIGHTED INDEXES)
- SEP. 30 — Tuesday, September 30, 2014 – Fitch Ratings (FitchRatings)

The Month in Closed-End Funds: May 2014

PERFORMANCE

In spite of the dichotomy of declining Treasury bill yields and record market highs for equity indices, for May—for the fourth consecutive month—equity and fixed income CEFs posted plus-side NAV-based returns (+2.09% and +1.96%, respectively) and market-based returns (+2.71% and +1.96%, respectively). And while many market pundits have been foretelling a correction in both the equity and fixed income markets, for the year to date CEFs have added 6.36% and 8.99%, respectively, to their NAV-based returns.

Shrugging off the popular stock market adage of "sell in May and go away," investors bid both the S&P 500 (+2.10%) and Dow Jones Industrial Average (+0.82%) to record highs at month-end, pushing U.S. stocks to their largest monthly gain since February. Investors, buying on the dip, catapulted the recently beleaguered NASDAQ Composite up 3.11% for May. Nonetheless, investors remained nervous—keeping an eye on the conflict in Ukraine, the contraction in China manufacturing data, and deflationary concerns in Europe—and bid up Treasuries at the same time in a safe-haven play. Interestingly, though, despite the global uncertainties, global markets were on a strong rise as well, with European stocks posting their seventh week of gains. The European Central Bank's and Bank of England's commitment to use monetary policy to shore up their equity markets played well into both the Treasury and European stock market rallies.

As earnings season slowly started coming to an end, investors began paying more attention to geopolitical issues, economic reports, and deal news. They were treated to a strong nonfarm payrolls report at the beginning of May, with the Department of Labor reporting the U.S. created 288,000 jobs for April (the largest monthly increase in over two years), handily beating the consensus estimate of 218,000. Additionally, the April ISM nonmanufacturing and manufacturing indices, personal income and consumption figures, April housing starts, and durable goods orders all beat consensus estimates. However, investors remained wary after learning about declines in April industrial production and capacity utilization, lower-than-expected retail sales, and the downward revision to Q1 2014 GDP to a minus 1.0% annual rate.

With signs of the slowing growth in the U.S. toward month-end and the ECB's commitment to fight deflation, the ten-year Treasury yield declined 19 bps to 2.48% for May, sending the ten-year Treasury to its largest monthly gain since January. Treasury yields rose at the short-end of the curve, with the one-month yield rising the most—up 3 bps to 0.05% for the month.

For May the dollar rose against the euro (+1.68%) and the pound (+0.72%), but it lost ground against the yen (-0.35%). Perhaps in part as a result of the rise in the dollar and anticipation of increased energy demand with the coming summer-driving season, commodities prices were mixed; near-month gold prices declined 3.86% to close May at $1,246.00/ounce, while crude oil prices rose 2.98% to close the month at $102.71/barrel.

For May 96% of all CEFs posted NAV-basis returns in the black, with 93% of equity CEFs and 99% of fixed income CEFs chalking up returns in the plus column. Despite the German Ifo Business Climate Index coming in lower than expected during the month, the increased political tensions between Russia and Ukraine, and China's reporting its fourth consecutive month of

The Month in Closed-End Funds: May 2014

- For May only 12% of all closed-end funds (CEFs) traded at a premium to their net asset value (NAV), with 12% of equity funds and 11% of fixed income funds trading in premium territory. Lipper's equity CEFs macro-group witnessed the largest narrowing of discounts for the month—105 basis points (bps) to 8.33%.
- For the fourth consecutive month equity and fixed income CEFs posted plus-side returns, with equity CEFs returning 2.09% on a NAV basis and their fixed income counterparts returning 1.96% for the month.
- For the fifth consecutive month all of Lipper's municipal bond CEF classifications posted returns in the black, with General & Insured Municipal Debt CEFs (Leveraged) (+2.65%) once again outpacing the other classifications in the group.
- World income CEFs (+2.45%) narrowly outpaced the municipal debt CEFs group (+2.43%) and handily outperformed their domestic taxable fixed income CEF counterparts (+1.25%) for the month.
- Despite continued geopolitical concerns during the month, Emerging Markets CEFs (+4.40%) rose to the head of the CEFs universe for May.

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manufacturing contraction, investor optimism pushed world equity and bond CEFs to the top of the charts for May. On the equity side investors appeared to prefer international over domestic issues, pushing the world equity CEFs macro-group (+2.63%) to the top of the leaders' board for the third month in four, followed closely by its domestic equity (+1.90%) and mixed-asset (+1.80%) CEF cohorts.

While slowing growth in China and the conflict in Ukraine remained on investors' minds, CEF investors—influenced by the Ifo report and stubborn deflation in the EU—kept Lipper's Developed Markets CEFs classification toward the bottom of the pack for May (+1.25%). Only the Growth CEFs (+0.94%) and Sector Equity CEFs (+0.86%) suffered lower returns. All of Lipper's equity CEF classifications witnessed plus-side performance for May. Perhaps as a result of Russia and the Western allies taking a step back from the East-West standoff and India electing a business-friendly prime minister, Emerging Markets CEFs (+4.40%) shot to the top of the charts for May, followed by the recently popular Energy MLP CEFs (+3.09%) and Pacific ex-Japan CEFs (+2.75%). For the remaining equity classifications returns ranged from 1.34% (Value CEFs) to 2.54% (Real Estate CEFs).

Six of the ten top-performing individual equity CEFs were housed in Lipper's Emerging Markets CEFs classification, with **Templeton Russia & East European Fund, Inc. (NYSE: TRF)** rising to the top of the chart for May, gaining 14.35% on a NAV basis and traded at an 11.51% discount at month-end. Following TRF were **Morgan Stanley India Investment Fund, Inc. (NYSE: IIF)**, rising 12.07% on a NAV basis and traded at an 11.49% discount on May 30; **Central Europe Russia and Turkey Fund, Inc. (NYSE: CEE)**, posting an 8.94% return and traded at an 11.06% discount at month-end; **Turkish Investment Fund, Inc. (NYSE: TKF)**, posting an 8.43% return and traded at a 10.87% discount on May 30; and **Morgan Stanley Eastern Europe Fund, Inc. (NYSE: RNE)**, chalking up a 7.43% return and traded at a 12.68% discount at month-end.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 6.42% to positive 14.35%—was wider than April's spread and more positively skewed. The 20 top-performing equity CEFs posted returns at or above 4.21%, while the 20 lagging CEFs were below 0.15%.

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 6.42% of its April month-end value and traded at a 5.64% discount at month-end. **Central GoldTrust (AMEX: GTU**, also warehoused in Lipper's Sector Equity CEFs classification**)** was the next poorest performing equity fund, declining 2.94% and traded at a 3.37% discount at month-end. Five of the six equity laggards were housed in Lipper's Sector Equity CEFs classification, and all had a gold-oriented focus. For May only 17 equity CEFs suffered negative returns.

CLOSED-END FUNDS LAB

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

	NAV RETURNS POSITIVE	PREMIUM/DISCOUNT BETTER	PREMIUM/DISCOUNT WORSE	NOW TRADING AT PREMIUM	NOW TRADING AT DISCOUNT
Equity Funds	93	65	32	12	87
Bond Funds	99	44	52	11	88
ALL CEFs	**96**	**52**	**45**	**12**	**88**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	MAY	YTD	3-MONTH	CALENDAR-2013
Equity Funds	2.09	6.36	4.35	16.03
Bond Funds	1.96	8.99	4.29	-1.74
ALL CEFs	**2.01**	**7.96**	**4.32**	**5.17**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	MAY 2014	CALENDAR-2013
ALL CEFs	**19**	**28**

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

3 MONTHS THROUGH 4/30/2014	377
COMPARABLE YEAR-EARLIER 3 MONTHS	791
CALENDAR 2013 AVERAGE	564

Source: Lipper, a Thomson Reuters company

Despite Federal Reserve Chair Janet Yellen's commitment to gradual increases in interest rates (she signaled early in the month her continued confidence in the economy), fixed income investors continued their search for yield. Despite their early focus on safe-haven plays, investors pushed the world bond CEFs (+2.45%) macro-group to the head of the fixed income universe, just nudging the municipal bond CEFs group (+2.43%) out of the top position and handily outpacing its domestic bond CEFs (+1.21%) counterpart.

For the fifth consecutive month all of Lipper's municipal debt CEF classifications posted plus-side NAV-based returns as investors bid up the group, scooping up tax-exempt issues with yields exceeding those of similarly dated Treasuries (before tax adjustments). Once again, General & Insured Municipal Debt CEFs (Leveraged) (+2.65%) and High Yield Municipal Debt CEFs (+2.56%) realized the largest returns of the group, while Intermediate Municipal Debt CEFs (+1.88%) and General & Insured Municipal Debt CEFs (Unleveraged) (+1.91%) were the relative laggards. National municipal debt CEFs (+2.52%) outpaced their single-state municipal debt CEF counterparts (+2.33%).

Despite continued uncertainty in the world markets, both of the classifications making up Lipper's World Income CEFs macro-classification (+2.45%) outpaced the other taxable fixed income classifications. Emerging Markets Debt CEFs (+3.41%, the top-performing fixed income CEFs classification for May) outpaced Global Income CEFs (+1.88%). Despite some flight to safety, investors remained hungry for yield, and U.S. Mortgage CEFs (+1.85%) jumped to the head of the domestic taxable fixed income macro-group, while Loan Participation CEFs (+0.61%) once again was the relative laggard. Despite increasing market optimism in the latter half of the month, continued geopolitical uncertainty and EU deflationary concerns kept investors at bay. The two-/ten-year Treasury spread narrowed 14 bps from April's month-end 2.25%. The yield on the ten-year Treasury note finished the month 19 bps lower at 2.48%.

In the domestic taxable fixed income CEFs universe (+1.25%) the remaining classification returns ranged from 0.70% (High Yield CEFs) to 1.61% (Corporate Debt BBB-Rated CEFs). None of the classifications in the taxable fixed income CEFs universe suffered negative returns for May.

Three of the five top-performing individual CEFs in the fixed income universe were housed in Lipper's General Municipal Bond CEFs macro-classification. At the top of the leader board were **NexPoint Credit Strategies Fund (NYSE: NHF**, housed in Lipper's High Yield CEFs [Leveraged] classification and April's laggard**)**, returning 5.84% and traded at an 11.85% discount on May 30, and **PIMCO High Income Fund (NYSE: PHK)**, tacking 4.85% onto its April month-end value and traded at a 53.30% premium at May month-end. **Eaton Vance Municipal Income Trust (NYSE: EVN**, housed in Lipper's General & Insured Municipal Debt CEFs [Leveraged] classification**)**, posting a 4.74% return and traded at a 4.82% premium at month-end, rose to the number-three spot of the group.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 0.85% (**Federated Enhanced Treasury Income Fund [NYSE: FTT]**, housed in Lipper's Corporate Debt BBB-Rated CEFs classification and traded at an 8.76% discount on May 30), to 4.28% for **Eaton Vance Municipal Income Term Trust (NYSE: ETX)**, housed in Lipper's General & Insured Municipal Debt CEFs [Leveraged] classification and traded at a 10.34% discount at month-end. The 20 top-performing fixed income CEFs posted returns at or above 3.35%, while the 20 lagging funds were at or below 0.50%. Only five fixed income CEFs suffered downside performance for May.

PREMIUM AND DISCOUNT BEHAVIOR

For May the median discount of all CEFs narrowed just 4 bps to 7.46%—slightly better than the 12-month moving average discount (7.87%). Equity CEFs' median discount narrowed 105 bps to 8.33%, while fixed income CEFs' median discount widened 33 bps to 7.12%. Municipal bond CEFs' median discount widened 35 bps to 6.96%. The national municipal bond CEFs macro-group witnessed the largest widening of discounts in the CEF universe— 50 bps to 6.66%, while the World Equity CEFs macro-classification witnessed the largest narrowing in the group—44 bps to 10.49%.

For the month 52% of all funds' discounts or premiums improved, while 45% worsened. In particular, 65% of equity funds and 44% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on May 30 (67) was five more than on April 30.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

There were no new CEFs in May.

RIGHTS, REPURCHASES, TENDER OFFERS

Directors of **Delaware Investments Dividend and Income Fund (NYSE: DDF)** will conduct a cash tender offer for up to 471,952 (5%) of its common shares until June 27, 2014. If more than 5% of its shares are tendered, the fund will purchase them on a *pro rata* basis.

Trustees of **The Gabelli Healthcare & Wellness(Rx) Trust (NYSE: GRX)** approved a transferable rights offering. Each shareholder will receive one transferable right for each common share held on the record date (June 3, 2014); three rights plus $9.00 (a subscription price) will be required to purchase one additional common share. Rights were expected to trade "when issued" on the NYSE on May 29, 2014; the rights offering expires July 8, 2014.

Directors of **Western Asset Middle Market Debt Fund (XWAMX)** approved a tender offer for up to 10% of the fund's outstanding common shares. The fund intends to commence its tender offer on or about June 23, 2014, with the expiration of the tender offer currently expected to be July 22, 2014.

MERGERS AND REORGANIZATIONS

Shareholders of T**ortoise Energy Infrastructure (NYSE: TYG)**, **Tortoise Energy Capital (NYSE: TYY)**, and **Tortoise North American Energy (NYSE: TYN)** approved the merger of the funds, with TYG as the surviving fund. The merger is expected to be final at the end of June.

The annual shareholder meetings of **Nuveen New York Dividend Advantage Municipal Fund (NYSE: NAN)**, **Nuveen New York Performance Plus Municipal Fund (NYSE: NNP)**, and **Nuveen**

New York Dividend Advantage Municipal Fund 2 (NYSE: NXK) concluded without passing a proposal to merge the funds. Although the shareholders voted overwhelmingly in favor of the proposal, the overall level of shareholder participation was too low for the proposal to pass. The shareholders did agree to some mergers, however: **Nuveen California Dividend Advantage Municipal Fund (NYSE: NAC)** will acquire **Nuveen California Performance Plus Municipal Fund (NYSE: NCP)**, **Nuveen California Municipal Market Opportunity Fund (NYSE: NCO)**, **Nuveen California Investment Quality Municipal Fund (NYSE: NQC)**, **Nuveen California Quality Income Municipal Fund (NYSE: NUC)**, and **Nuveen California Select Quality Municipal Fund (NYSE: NVC)**. In addition, **Nuveen California AMT-Free Municipal Income Fund (NYSE: NKX)** will acquire **Nuveen California Premium Income Municipal Fund (NYSE: NCU)**, and **Nuveen Massachusetts Premium Income Municipal Fund (NYSE: NMT)** will acquire **Nuveen Massachusetts Dividend Advantage Municipal Fund (NYSE: NMB)** and **Nuveen Massachusetts AMT-Free Municipal Income Fund (NYSE: NGX)**.

OTHER

Trustees of **Pioneer Floating Rate Trust (NYSE: PHD)** approved several investment policy changes for the fund, effective August 1, 2014. Henceforth, under normal market conditions the fund will invest at least 80% of its assets in floating-rate loans, including up to 15% in second-lien loans. In addition, the investment policy regarding the fund's investment limitation on non-U.S. securities was increased from 10% to 35% of its assets.

Trustees of **Virtus Global Multi-Sector Income Fund (NYSE: VGI)** announced that the fund will implement an options-overlay strategy (buying and selling puts and calls) with the objective of generating additional income. Options may be used for investment or hedging purposes.

Citing low global government bond yields, directors of **Global High Income Fund (NYSE: GHI)** approved a reduction (from 7% to 6%) in the annualized rate for distributions from the fund's managed distribution plan, effective with June's monthly distribution. The May distribution remained unchanged.

Directors of **The Japan Equity Fund (NYSE: JEQ)** approved a name change, effective May 1, 2014, to Aberdeen Japan Equity; the fund's ticker and CUSIP remained unchanged.

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Market Videos

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June 2, 2014
Brian Wesbury from First Trust Advisors: *Despite Drop in GDP, Economy OK*

May 29, 2014
A.J. D'Asaro from Morningstar: *A Low-Expense Alternative to Bonds*

May 30, 2014
Bob Carey from First Trust Advisors: *Reasons for Market Performance*

May 20, 2014
Abby Woodham from Morningstar: *High-Quality Dividends at a Low Fee*

May 29, 2014
Tim Strauts from Morningstar: *Dividends Great for Long Term, but Beware Rising Rates*

April 23, 2014
John P. Calamos, Sr. from Calamos Investments on Bloomberg on 4/28/14

CEF Performance Statistics

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Category	Average 1Mo NAV Change	Average 1Mo Mkt Change	Average P/D 3/31/2014	Average P/D 4/30/2014	Average 1 Mo P/D Change	Average YTD NAV Change	Average YTD Mkt Change	Average YTD P/D Change
California Municipal Debt Funds	-2.0%	-1.3%	-4.8%	-5.5%	-0.6%	9.7%	10.3%	0.4%
Convertible Securities Funds	-1.0%	-1.8%	-4.8%	-4.0%	0.8%	1.9%	5.6%	3.5%
Core Funds	-0.9%	-1.6%	-8.5%	-8.5%	0.0%	1.4%	-1.9%	0.7%
Corporate BBB-Rated Debt Funds(Leveraged	-1.1%	-1.1%	-8.3%	-8.3%	0.0%	4.7%	5.5%	0.7%
Corporate Debt Funds BBB-Rated	-0.9%	-1.1%	-8.2%	-8.0%	0.2%	3.2%	5.4%	1.9%
Developed Market Funds	-1.0%	-0.9%	-10.2%	-10.3%	-0.1%	2.8%	1.6%	-1.1%
Emerging Markets Funds	-4.1%	-4.5%	-9.0%	-9.1%	-0.1%	2.0%	1.2%	-0.7%
Emerging Mrkts Hard Currency Debt Funds	-2.9%	-2.5%	-8.2%	-8.6%	-0.4%	5.0%	6.6%	1.4%
Energy MLP Funds	-2.5%	-3.0%	-3.3%	-2.8%	0.5%	2.5%	6.2%	-1.0%
General & Insured Muni Debt Funds (Lever	-2.1%	-2.3%	-6.1%	-5.9%	0.2%	10.3%	11.5%	1.0%
General & Insured Muni Fds (Unleveraged)	-1.5%	-0.3%	-3.9%	-5.0%	-1.2%	6.3%	6.7%	0.4%
General Bond Funds	-1.0%	-1.0%	-3.2%	-3.1%	0.1%	-2.7%	5.1%	0.6%
Global Funds	-1.5%	-2.4%	-10.3%	-9.3%	1.0%	1.9%	4.0%	1.7%
Global Income Funds	-1.3%	-1.5%	-6.5%	-6.4%	0.1%	3.7%	5.6%	1.7%
Growth Funds	-0.4%	4.3%	8.7%	3.8%	-4.9%	-1.2%	-38.4%	7.9%
High Yield Funds	-0.2%	-0.3%	-5.1%	-4.8%	0.3%	1.2%	3.8%	2.8%
High Yield Funds (Leveraged)	-0.6%	-0.7%	-3.8%	-3.6%	0.2%	2.4%	5.3%	2.6%
High Yield Municipal Debt Funds	-2.0%	-2.3%	-1.1%	-0.7%	0.4%	8.2%	11.5%	3.1%
Income & Preferred Stock Funds	-1.4%	-1.4%	-6.4%	-6.4%	-0.1%	7.8%	10.1%	1.9%
Intermediate Municipal Debt Funds	-1.4%	-0.8%	-3.2%	-3.8%	-0.7%	6.3%	7.1%	0.8%
Loan Participation Funds	-0.2%	0.2%	-5.9%	-6.3%	-0.4%	0.1%	-1.3%	-1.3%
Natural Resources Funds	-2.0%	-2.5%	-10.2%	-9.5%	0.7%	7.9%	10.2%	1.0%
New Jersey Municipal Debt Funds	-2.0%	-1.2%	-8.2%	-8.9%	-0.8%	9.1%	10.2%	0.9%
New York Municipal Debt Funds	-1.8%	-1.2%	-4.2%	-4.8%	-0.6%	8.4%	10.3%	1.7%
Options Arbitrage/Opt Strategies Funds	-1.5%	-2.8%	-3.9%	-2.7%	1.2%	1.2%	5.8%	4.3%
Other States Municipal Debt Funds	-1.7%	-5.5%	-6.0%	-5.3%	0.7%	8.6%	9.0%	3.6%
Pacific Ex Japan Funds	-2.7%	-3.1%	-10.9%	-10.5%	0.4%	-0.5%	-1.6%	-1.1%
Pennsylvania Municipal Debt Funds	-1.6%	-1.3%	-7.4%	-7.3%	0.1%	8.8%	-19.6%	3.7%
Real Estate Funds	-2.1%	-2.3%	-10.8%	-10.4%	0.4%	3.6%	11.0%	0.8%
Sector Equity Funds	-0.3%	0.1%	-5.7%	-5.9%	-0.2%	-4.0%	2.9%	1.5%
U.S. Mortgage Funds	-1.3%	-1.7%	-8.4%	-8.0%	0.4%	-2.3%	6.9%	1.3%
Utility Funds	-1.7%	-2.8%	-7.2%	-6.0%	1.2%	9.6%	11.2%	1.4%
Value Funds	-1.2%	-1.4%	-11.0%	-10.8%	0.1%	5.3%	5.3%	-0.3%

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	7.02%	1
Engex Inc	Core Funds	EXGI	5.81%	2
Central GoldTrust	Sector Equity Funds	GTU	3.02%	3
GAMCO Gl Gld NR & Inc	Sector Equity Funds	GGN	2.57%	4
Central Fund of Canada	Sector Equity Funds	CEF	2.47%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
Morg Stan India Inv	Emerging Markets Funds	IIF	24.35%	1
Aberdeen Indonesia	Pacific Ex Japan Funds	XIF	19.34%	2
Nuveen Real Estate Inc	Real Estate Funds	JRS	19.25%	3
Eaton Vance Muni Inc Trm	General & Insured Muni Debt Funds (Leveraged)	ETT	18.50%	4
Brookfield Gl Lsd Infr	Utility Funds	INF	18.34%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
Cornerstone Prog Return	Growth Funds	CFP	7.22%	1
RENN Glbl Entrepreneurs	Global Funds	RCG	6.76%	2
ASA Gold & Prec Met Ltd	Sector Equity Funds	ASA	5.29%	3
Cornerstone Total Return	Core Funds	CRF	4.58%	4
First Trust NwOpps MLP&E	Energy MLP Funds	FPL	4.39%	5

Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
Morg Stan India Inv	Emerging Markets Funds	IIF	26.43%	1
Kayne Anderson Enrgy Dev	Natural Resources Funds	KED	22.67%	2
Eaton Vance Muni Inc Tr	General & Insured Muni Debt Funds (Leveraged)	EVN	22.07%	3
NexPoint Credit Strat	High Yield Funds (Leveraged)	NHF	21.66%	4
Brookfield Gl Lsd Infr	Utility Funds	INF	21.40%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
Eaton Vance PA Muni Inc	Pennsylvania Municipal Debt Funds	EVP	8.80	1
Brookfield Total Return	U.S. Mortgage Funds	HTR	8.53	2
BlackRock PA Strat Muni	Pennsylvania Municipal Debt Funds	BPS	8.32	3
Eaton Vance MA Muni Inc	Other States Municipal Debt Funds	MMV	8.31	4
Gabelli Utility Trust	Utility Funds	GUT	6.59	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
Engex Inc	Core Funds	EXGI	31.10	1
Foxby Corp	Growth Funds	FXBY	26.69	2
Self Storage Group	Real Estate Funds	SELF	21.27	3
Firsthand Technology Val	Sector Equity Funds	SVC	18.19	4
Helios Multi-Sec Hi Inc	High Yield Funds (Leveraged)	HMH	15.75	5

ETFs and ETPs listed globally gathered US$22.4 billion in net new assets in May which, when combined with a small positive market performance in the month, pushed assets in the global ETF/ETP industry to a new record high of US$2.55 trillion, according to preliminary data from ETFGI's May 2014 Global ETF and ETP industry insights report. At the end of May the Global ETF/ETP industry had 5,283 ETFs/ETPs, with 10,293 listings, from 219 providers listed on 59 exchanges.

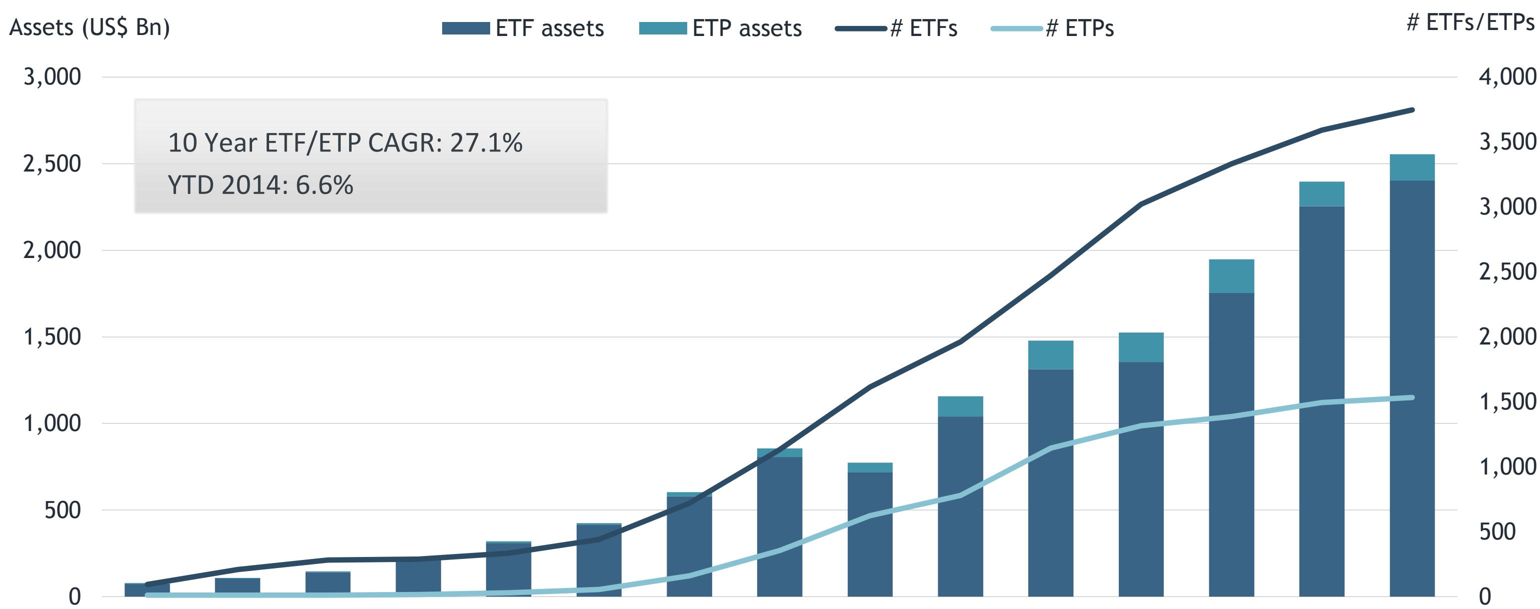
The ETF/ETP industry in many countries and regions also hit record highs in assets at the end of May 2014, including: in the United States US$1.8 trillion; in Europe US$459 billion; in Japan US$86.7 billion; in Canada US$63.2 billion and in the Middle East and Africa US$41.69 billion.

"In May investors invested net new money in almost equal amounts into equity and fixed income exposures with net new flows going into a broad spectrum of exposures from riskier EM equities to safer government bond products. The S&P 500 ended May at an all-time high (1924). The S&P 500 is up 5% year-to-date, while the DJIA is up only 2%. US stocks have advanced each month in 2014 except for January. During May developed markets gained 2% and emerging markets 4% with Asia showing strong performance, up 4%." according to **Deborah Fuhr**, *Managing Partner* at **ETFGI.**

In May 2014, ETFs/ETPs listed globally gathered net inflows of US$22.4 billion. Fixed income ETFs/ETPs gathered the largest net inflows with US$11.5 billion, followed by equity ETFs/ETPs with US$10.3 billion, while commodity ETFs/ETPs saw net outflows of US$565 million.

Global ETF and ETP asset growth as at end of May 2014

At the end of May 2014, the Global ETF industry had 3,749 ETFs, with 8,105 listings, assets of US$2.4 trillion, from 192 providers on 57 exchanges. At the end of May 2014, the Global ETF/ETP industry had 5,283 ETFs/ETPs, with 10,293 listings, assets of US$2.55 trillion, from 219 providers on 59 exchanges.



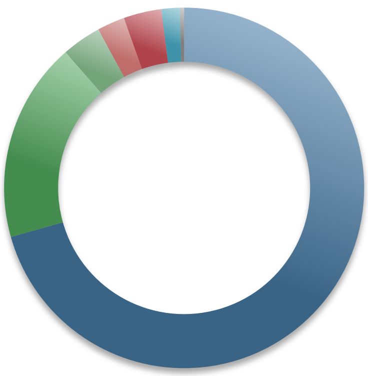
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	May-14
# ETFs	94	208	283	288	334	440	719	1,132	1,614	1,962	2,474	3,023	3,335	3,593	3,749
# ETFs/ETPs	105	220	295	303	364	506	887	1,543	2,237	2,740	3,616	4,340	4,723	5,087	5,283
ETF assets	74	105	142	212	310	416	579	806	716	1,041	1,313	1,355	1,754	2,254	2,404
ETF/ETP assets	79	109	146	218	319	425	603	856	774	1,158	1,478	1,526	1,949	2,398	2,555

Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.
Note: "ETFs" are typically open-end index funds that provide daily portfolio transparency, are listed and traded on exchanges like stocks on a secondary basis as well as utilising a unique creation and redemption process for primary transactions. "ETPs" refers to other products that have similarities to ETFs in the way they trade and settle but they do not use a mutual fund structure. The use of other structures including grantor trusts, partnerships, notes and depositary receipts by ETPs can create different tax and regulatory implications for investors when compared to ETFs which are funds.

Global ETF/ETP Assets Summary

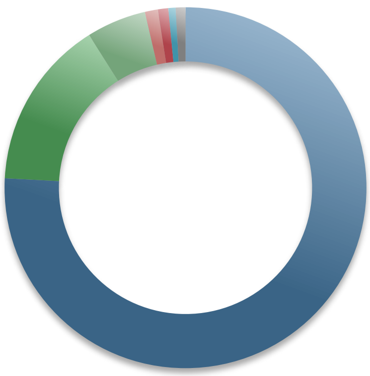
etfgi.com

ETF/ETP assets by region listed



Region	Assets (US$ Bn)	% total
US	$1,804	70.6%
Europe	$459	18.0%
Asia Pacific (ex-Japan)	$90	3.5%
Japan	$87	3.4%
Canada	$63	2.5%
Middle East and Africa	$42	1.7%
Latin America	$9	0.4%
Total	**$2,555**	**100.0%**

ETF/ETP assets by asset class



Asset class	Assets (US$ Bn)	% total
Equity	$1,938	75.8%
Fixed Income	$389	15.2%
Commodities	$136	5.3%
Leveraged	$30	1.2%
Active	$24	0.9%
Leveraged Inverse	$17	0.7%
Others	$22	0.9%
Total	**$2,555**	**100.0%**

ETF/ETP assets by product structure

Structure	Assets (US$ Bn)	% total
ETF	$2,404	94.1%
ETP	$152	5.9%
Total	**$2,555**	**100.0%**

Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.

YTD through end of May 2014, ETFs/ETPs have seen net inflows of US$91.2 billion, which is less than the US$108.2 billion of net inflows gathered at this time last year. Equity ETFs/ETPs have gathered the largest net inflows YTD with US$47.9 billion, followed by fixed income ETFs/ETPs with US$35.9 billion, while commodity ETFs/ETPs have experienced net outflows of US$1.7 billion YTD.

In May 2014, iShares gathered the largest net ETF/ETP inflows with US$9.7 billion, followed by Vanguard with US$6.5 billion in net inflows, and Lyxor ETFs with US$1.4 billion in net inflows.

Products

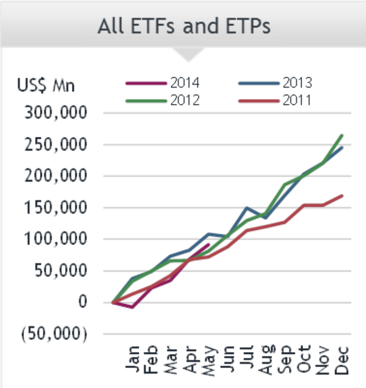
- In May 2014, 47 new ETFs/ETPs were launched by 20 providers. Including cross listings, there were 76 new listings from 22 providers on 17 exchanges. 6 ETFs/ETPs closed and there were a total of 25 listings removed from 2 exchanges. YTD through end of May 2014, 254 new ETFs/ETPs have been launched by 68 providers. Including cross listings, there have been 446 new listings from 73 providers on 27 exchanges. 58 ETFs/ETPs have closed, with a total of 291 listings removed from 15 exchanges.
- The top 100 ETFs/ETPs, out of 5,283, account for 56.5% of Global ETF/ETP assets. 385 ETFs/ETPs have greater than US$1 Bn in assets, while 3,619 ETFs/ETPs have less than US$100 Mn in assets, 3,068 ETFs/ETPs have less than US$50 Mn in assets and 1,650 ETFs/ETPs have less than US$10 Mn in assets.

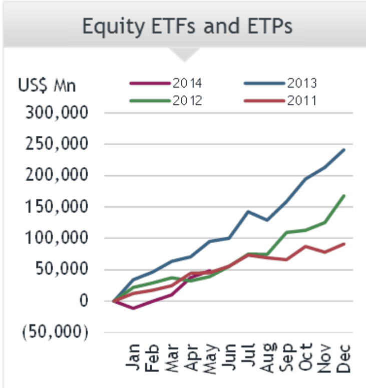
Trading Volumes

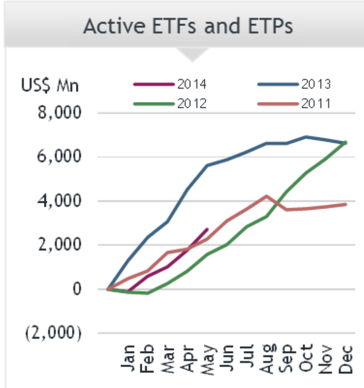
- ETF/ETP average daily trading volumes decreased by 23.8% from US$79,953 Mn in April 2014 to US$60,959 Mn in May 2014.

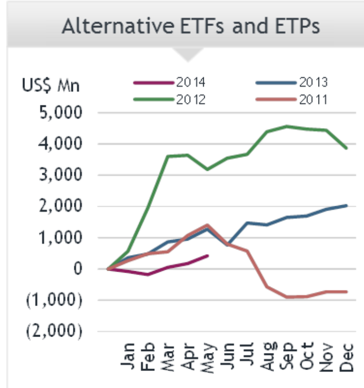
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team. Note: This report is based on the most recent data available at the time of publication. Asset and flow data may change slightly as additional month-end data becomes available.

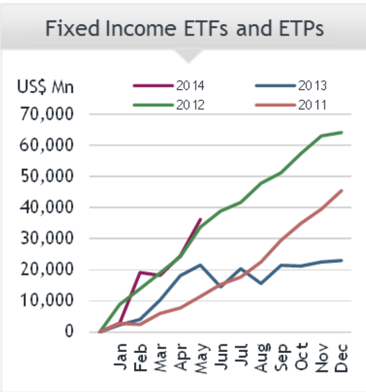
YTD 2013 vs 2012, 2011 ETF and ETP net new assets by asset class: Global

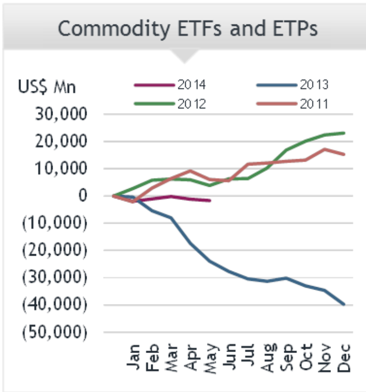


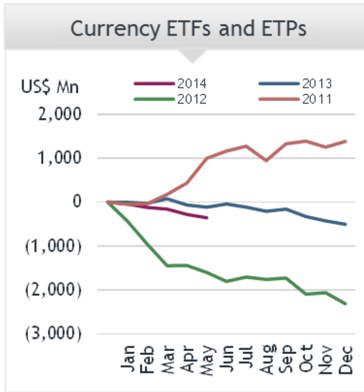


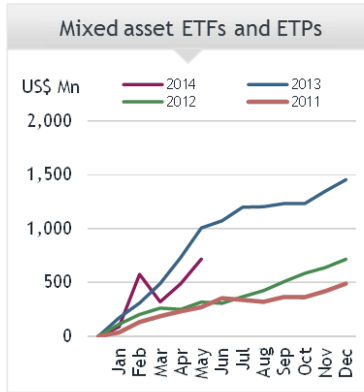












ETFs and ETPs listed globally gathered net inflows of $22,806 Mn in May. Year to date, net inflows stand at $91,635 Mn. This is less than at this point last year when there were net inflows of $108,237 Mn.

Equity ETFs/ETPs saw net inflows of $10,676 Mn in May, with year to date net inflows rising to $48,111 Mn. This is less than the net inflows of $95,308 Mn over the same period last year.

Fixed income ETFs and ETPs accumulated net inflows of $11,699 Mn in May, with year to date net inflows climbing to $36,164 Mn. This is greater than at the same point last year when there were net inflows of $21,531 Mn.

Commodity ETFs/ETPs saw net outflows of $564 Mn in May. Year to date, net outflows are at $1,723 Mn, compared to net outflows of $23,918 Mn over the same period last year.

Actively managed products saw net inflows of $953 Mn in May, bringing year to date net inflows to $2,716 Mn. This is less than the net inflows of $5,620 Mn over the same period last year.

Products tracking alternative indices gathered net inflows of $246 Mn in May, taking year to date net inflows up to $420 Mn. At the same point last year net inflows were $1,274 Mn.

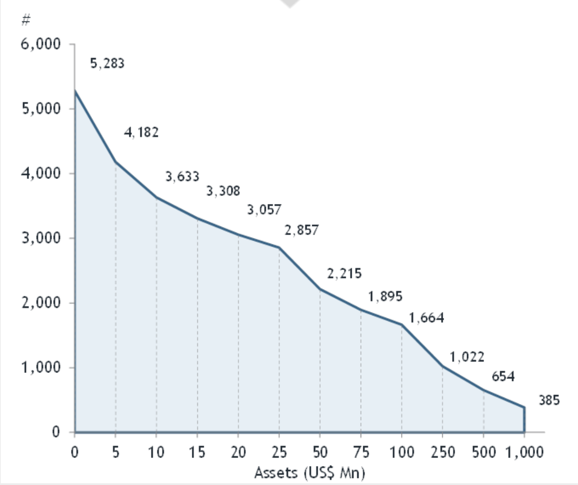
Currency products saw net outflows of $76 Mn in May. Year to date, net outflows are at $353 Mn, compared to net outflows of $112 Mn over the same period last year.

Products holding more than one asset class saw net inflows of $228 Mn in May, with year to date net inflows rising to $717 Mn. This is less than the net inflows of $1,007 Mn over the same period last year.

Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.
Note: This report is based on the most recent data available at the time of publication. Asset and flow data may change slightly as additional month-end data becomes available.

Distribution of ETFs/ETPs by size

ETF/ETP assets



Assets greater than (US$ Mn)	# ETFs	% total	Total assets (US$ Bn)	% total
0	5,283	100.0%	2,555	100.0%
5	4,182	79.2%	2,552	99.9%
10	3,633	68.8%	2,548	99.8%
15	3,308	62.6%	2,544	99.6%
20	3,057	57.9%	2,540	99.4%
25	2,857	54.1%	2,536	99.3%
50	2,215	41.9%	2,512	98.3%
75	1,895	35.9%	2,493	97.6%
100	1,664	31.5%	2,472	96.8%
250	1,022	19.3%	2,370	92.8%
500	654	12.4%	2,240	87.7%
1,000	385	7.3%	2,050	80.2%

385 ETFs/ETPs have greater than US$1 Bn in assets, while 1,664 have greater than US$100 Mn in assets and 2,215 have greater than US$50 Mn in assets. The 385 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,050 Bn, or 80.2%, of Global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) May-14	NNA (US$ Mn) May-14	NNA (US$ Mn) YTD 2014
S&P 500 Index	270,373	(3,712)	(13,657)
MSCI EAFE Index	58,206	241	1,393
NASDAQ 100 Index	47,203	723	(3,240)
CRSP US Total Market Index	43,282	191	2,531
Nikkei 225 Index	42,349	1,337	4,885
TOPIX Index	37,746	439	4,893
S&P Mid Cap 400 Index	36,784	(213)	(2,697)
EURO STOXX 50 Index	32,432	613	(1,375)
DAX Index	31,310	618	(329)
MSCI Japan Index	25,238	(675)	(15)
Russell 2000 Index	24,795	(3,923)	(4,207)
Russell 1000 Growth Index	23,606	57	(160)
MSCI US REIT Index	23,063	586	2,768
Russell 1000 Value Index	22,928	322	969
FTSE Developed ex North America Index	22,911	651	3,308
NASDAQ Dividend Achievers Select Index	19,543	108	(357)
S&P Financial Select Sector Index	17,990	(698)	594
MSCI World Index	17,989	361	479
FTSE Developed Europe Net Tax US RIC TR Index USD	17,303	755	2,994
MSCI EMU Index	16,151	693	3,056

Top 20 by monthly net inflows

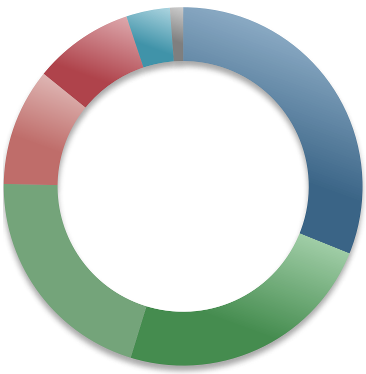
Name	Assets (US$ Mn) May-14	NNA (US$ Mn) May-14	NNA (US$ Mn) YTD 2014
S&P 500 Index	270,373	1,337	(13,657)
Dow Jones US Real Estate Index	5,530	819	1,466
FTSE Developed Europe Net Tax US RIC TR Index USD	17,303	755	2,994
NASDAQ 100 Index	47,203	723	(3,240)
MSCI EMU Index	16,151	693	3,056
FTSE Developed ex North America Index	22,911	651	3,308
DAX Index	31,310	618	(329)
EURO STOXX 50 Index	32,432	613	(1,375)
MSCI US REIT Index	23,063	586	2,768
S&P Energy Select Sector Index	11,365	517	2,636
S&P Industrial Select Sector Index	10,543	445	276
S&P 100 Index	4,622	443	216
TOPIX Index	37,746	439	4,893
S&P Preferred Stock Index	10,066	386	1,063
Alerian MLP Infrastructure Index	10,662	375	1,173
S&P Europe 350 Index	3,897	372	908
MSCI Europe Index	10,353	365	307
MSCI World Index	17,989	361	479
S&P Equal Weight Index	7,794	341	893
CRSP US Large Cap Value Index	14,134	332	1,071

Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.

Year to Date ETF / ETP Product Launches

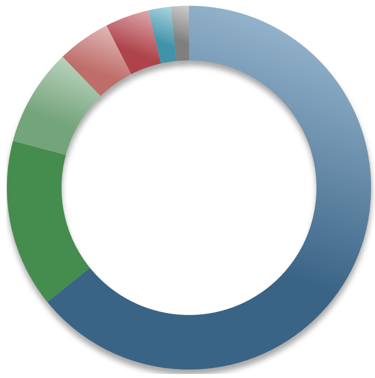
Summary of ETF / ETP assets

ETFs/ETPs by region listed



Region	# ETFs/ETPs	% total
US	79	31.1%
Europe	60	23.6%
Middle East and Africa	52	20.5%
Asia Pacific (ex-Japan)	27	10.6%
Canada	23	9.1%
Japan	10	3.9%
Latin America	3	1.2%
Total	**254**	**100.0%**

ETFs/ETPs by asset class



Asset class	# ETFs/ETPs	% total
Equity	163	64.2%
Fixed income	38	15.0%
Active	22	8.7%
Leveraged Inverse	12	4.7%
Leveraged	10	3.9%
Commodities	5	2.0%
Others	4	1.6%
Total	**254**	**100.0%**

ETFs/ETPs by product structure

Structure	# ETFs/ETPs	% total
ETF	191	75.2%
ETP	63	24.8%
Total	**254**	**100.0%**

Source: ETFGI, Bloomberg, ETF/ETP providers.

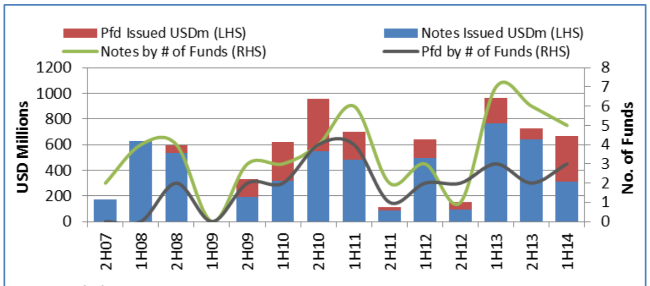
Please visit www. Etfgi.com and contact deborah.fuhr@etfgi.com if you would like to subscribe to ETFGI's full monthly Global ETF and ETP industry insights reports containing over 300 pages of charts and analysis, ETFGI's Institutional Users of ETFs and ETPs report or a custom analysis.

Fitch: US Closed-End Funds Pick Up Steam in Private Placements

June 2, 2014

US closed-end fund (CEF) issued preferred stock and debt grew to represent nearly 4% of the overall U.S. private placements market during 2013. Fitch Ratings expects deal flow to increase further as funds outside the master limited partnership (MLP) sector increase issuance.

A total of $1.6 billion of notes and $281 million of preferred stock were privately placed by CEFs during 2013. So far in 2014, issuance totals $170 million (notes) and $357 million (preferred stock). Follow the link for additional commentary and to access additional leverage market trends.



Source: Fitch

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Click here for complete reading

Fitch: Traditional Managers Better Positioned for Liquid Alts

May 30, 2014

Traditional investment managers are better positioned relative to alternative managers to meet retail investors' growing demands for liquid alternative investments (liquid alts) says Fitch Ratings.

Importantly, alternative managers that enter the liquid alt sector must operate their funds under the Investment Company Act of 1940 (40 Act), which constrains portfolio managers' abilities with regard to leverage (through asset coverage tests), liquidity (85% of securities must be in 'liquid' assets) and diversification (most funds must meet diversification tests for certain tax treatments). The constraints of the 40 Act can mute the very attributes that contributed to many alternative managers' historical successes.

Click here for complete reading

Rating Actions

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

- **Fitch Affirms VMTP Shares Issued by 9 Invesco Closed-End Funds at 'AAA'– May 9, 2014**
- **Fitch Rates & Affirms the Ratings for Nuveen Muni CEF Preferred Shares: May 20, 2014**
- **Fitch Rates Nuveen Muni CEF Preferred Shares: June 3, 2014**
- **Fitch Rates & Affirms Nuveen Muni CEF Preferred Shares on Merger : June 9, 2014**
- **Fitch Publishes Stone Tower Credit Funding I Ltd. 'BBB(sf)': June 10, 2014**

The Other Discount Advantage

May 21, 2014

Authored by:
Jeff Margolin
Senior Vice President
Closed-End Fund Analyst
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When an investor considers investing in a closed-end fund (CEF) that is trading on the secondary market, one of the attributes of the CEF structure that is often appealing is the ability to purchase shares of a fund at a discount to its net asset value (NAV). Due to the fact that CEFs are equity instruments with shares traded publicly throughout the trading day on an exchange such as the New York Stock Exchange (NYSE), and an investor purchases shares of a CEF at a share price which is independent from the fund's underlying NAV, its share price can trade at a discount or premium to its NAV. Whereas a CEF's share price is traded throughout the day on an exchange, a CEF's NAV is only priced once a day after the market closes. Bear in mind, with open-end mutual funds, investors buy and sell shares at the fund's NAV which is also priced once a day after the market closes. The ability to buy shares of a CEF at a discount to its NAV can potentially enhance an investor's total return, should that share price begin to revert to the fund's underlying NAV, and therefore one of the unique characteristics of the CEF structure is the ability to invest in shares of a fund trading at a discount to its NAV.

While I am also drawn to the CEF structure because of the opportunity to sometimes buy CEFs at a share price which is below its NAV and therefore it is at a "discount to its NAV," particularly when a CEF can be purchased when it is trading at a wider than average historical discount to its NAV, there is another "discount advantage" that is often overlooked by CEF investors but I think is a big plus to the CEF structure. It is the yield-enhancing opportunity that occurs when buying income-producing assets at a discounted price. In other words, buying a CEF at a share price which is at a discount to its NAV enhances an investor's yield relative to if they purchased those assets at the fund's NAV. I think I can best illustrate this "yield-enhancing opportunity" with a specific example:

If an investor purchases a CEF at a share price of $10.00 per share and that fund's NAV is also $10.00 per share the fund is trading at its NAV and not at a discount or premium. Now let's assume this fund pays a distribution of $1.00 per share annually. In this example, the investor's current distribution yield would be 10%. The $1.00 per share distribution divided by the purchase price of $10.00 per share equals 10%.

Now let me show an example of the yield-enhancing opportunity that occurs when buying a CEF at a discount to its NAV:

If an investor purchases a CEF at a share price of $9.00 per share and that fund's NAV is $10.00 per share then the fund's share price is trading at a 10% discount to its NAV. The fund's NAV is still $10.00 per share and is able to generate the same $1.00 per share in annual distributions. However, because an investor purchases shares in this CEF at the $9.00 share price, their yield is 11.11% and not 10% as in the previous example. The $1.00 per share distribution divided by the purchase price of $9.00 per share equals 11.11%. As you can tell from this example, an investor has significantly enhanced their yield by purchasing this fund at a 10% discount to its NAV.

If an investor purchases a CEF at a share price of $9.00 per share and that fund's NAV is $10.00 per share then the fund's share price is trading at a 10% discount to its NAV. The fund's NAV is still $10.00 per share and is able to generate the same $1.00 per share in annual distributions. However, because an investor purchases shares in this CEF at the $9.00 share price, their yield is 11.11% and not 10% as in the previous example. The $1.00 per share distribution divided by the purchase price of $9.00 per share equals 11.11%. As you can tell from this example, an investor has significantly enhanced their yield by purchasing this fund at a 10% discount to its NAV.

How to Manage a Closed-End Fund Portfolio Like An Expert, Beyond The "CEF Trifecta"

June 17, 2014

Authored by:
John Cole Scott, CFS
EVP, Portfolio Manager,
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What is the next level of closed-end fund analysis? This article expands on some of our previous work, including, "*The Closed-End Fund Trifecta*" and "*CEF Discounts: A Master Class in Nuance*". Both are available on our blog (www.CEF-blog.com). Followers of our firm will know we advocate answering three questions in selecting a closed-end fund, calling this our CEF Trifecta: 1. Is a CEF priced at a relative value to itself and peers? 2. Is the dividend level sustainable? and 3. Is the manager or sector performing well on a net asset value (NAV) basis? What is missing from this perspective? We find that some investors seem to lack a plan in designing and maintaining their portfolio and we believe adding the following concepts to our Trifecta analysis will improve your long-term investment performance.

Step 1: Portfolio Construction and Management: First, we always recommend investors decide on an

asset allocation that meets their unique goals and risk tolerance, and to document what they expect to achieve from an investments before starting the strategy. This might sound basic, but we find it is often overlooked. We find a lot of comfort in cutting a loss early or taking a gain when there are more attractive or better performing funds available to swap into while maintaining a similar investment strategy.

A prime example of this is when building a municipal bond CEF portfolio; we generally see two typical investor psyches. One group of investors are driven by tax-equivalent-yields (TEY); they are tax-sensitive and primarily looking for investment grade Bond exposure of 10% or more TEY, depending on their marginal tax bracket. They want to maintain a stable or growing amount of tax-free income and expect the "principal" of the account to be secure over time. However, they understand there will likely be positive and negative years for the account's principal value and that in general the discounts of Municipal Bonds, and other CEFs, move in cyclical trends.

We find a second group of investors tend to be generally more conservative and less tax-sensitive. They are looking for lower-risk total return and are driven to Municipal Bonds due to their favorable credit spreads, low history of defaults and, their historically "boring" nature. Over the past year, the average Muni CEF had a 6.3 NAV Standard Deviation, about 4 if you back out leverage, and a Market Price Standard Deviation more than double NAV at 13.2. Some people take this volatility as a risk, but we think of it as an opportunity to make better entry and exit trades. As long as you monitor current and historical trends you can take advantage of this phenomenon.

It needs to be noted this extra volatility vs. direct bond or traditional open-end fund ownership is due to Leverage (93% of municipal CEFs use 5% or more leverage) and Market Price Volatility. Muni CEFs have 92% non-institutional ownership and average only $660K per day in Trading Liquidity. This is why many successful CEF investors are patient and diligent; they are careful to not pay too much or sell too low because the trade "has to happen at the present moment". We can easily take up to a week to make a non-urgent swap between two funds and suggest others take a similar approach. If you miss a trading opportunity, another is likely to arise.

These conservative municipal bond investors typically want 5%-6% total return and care far less about avoiding taxes. Currently our firm manages the clients in each of our Muni CEF models in essentially the same fashion. However, we plan to manage the accounts differently when the FED increases interest rates. For income oriented investors, we will seek to maintain or grow the tax-free cash flow of the account, and for conservative investors we plan to instead protect the risk of NAV or principal loss, expecting to give up income potential.

The philosophies described above are not unique to tax-free CEF investing. We have the same goal for our Equity and Taxable Bond oriented portfolios.

Step 2: How Many Positions to Hold? We advocate for portfolio diversification but not over diversification. As a rule we try to keep positions sized at 4%, 6%, and

8%; rarely do we go above 10% of the account's value. We usually have 10 to 20 positions per account. Every model we run, except our tax-free models, has a blend of US equity, Non US Equity, and Fixed-income CEF sector exposure. We often have 4%-10% of a portfolio model allocated to a tactical or opportunistic strategy. This helps us buy funds that either don't fit into our normal model's allocation, or lets us buy something intra-day that gets unexpectedly beat-up. In both cases, the underlying sector does not necessarily matter to us as we see something we think will out-perform in the short-to-medium term due to the CEF structure and its inherent inefficiencies.

We find it is very common that individual investors and financial advisors only allocate between 0.50% and 2% of an account's value to a given CEF. In our opinion, for an already actively managed investment, it is very hard and overwhelming to track such small positions. It is challenging to think of a way to do this and outperform an ETF or market index.

If you are not sure what to own in the CEF structure, you may want to look at the two ETFs that are nearly 100% CEF focused: *PowerShares CEF Income (PCEF),* with about $600M in assets and a 7.8% market price yield, or *YieldShares High Income (YYY),* with about $58M in assets and a 8.14% market price yield – as of 6/12/14. These are not recommendations; we are just acknowledging investment options that will allow you to compare a self-selected portfolio of CEFs to an indexed version. For example, if a 1% position in your portfolio out-performs by +7.5%, then it only adds 0.075% alpha return in the account. Adding in trading cost, market timing risk taxes, this seems like a potentially futile endeavor to add alpha.

At the same time, I have trouble holding more than 15% in any one fund, due to the CEF specific risks like a secondary or rights offering or a large dividend cut. Our most focused model, ***Special Opportunities***, has 5-6 positions at a time and uses 10%, 15% and 20% allocations, but is intended for the risk tolerant investor seeking the opportunity to buy misunderstood or distressed CEFs. I would not suggest this approach for most investors due to the increased risk and potential volatility.

For example, last month Alliance Bernstein Global High Income Fund (AWF) cut its distribution from 10 to 8.1 cents per month, a -19% cut. The stock price went from a -1.90% discount to NAV on May 23 to a -6.95% discount on May 27 (the next market day). Surprisingly, the fund posted the same NAV both days. It was not worth any less in actual value, it was just that the future cash flow had been reduced and thus investor sentiment had adjusted the market price by -5%. This loss impacts an account far less when you have a 4% allocation, a -0.20% principal loss, than if the fund was 20% of the account (-1% principal loss). However, in our experience dividend cuts can often be avoided by either monitoring a fund's data or at least its dividend announcement schedule.

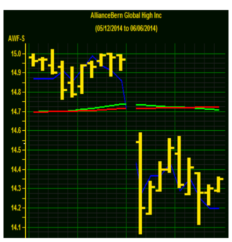
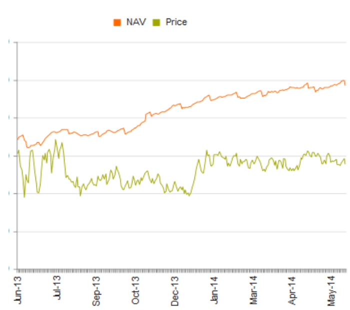


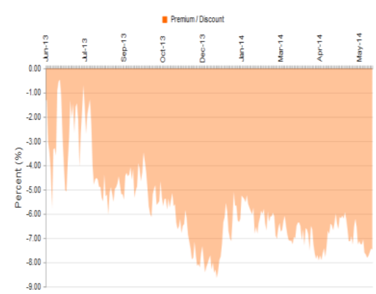
Chart Source: Telemet

Step 3: Manage Your Account: Don't Be Afraid to Sell a Winner or Loser: Essentially each week, we run a report to help us with our ***CEF Trifecta Analysis***: Discounts, Yield and NAV performance comparisons. We decide if a CEF's price is too high to NAV, or if its Earnings are now lagging vs. peer funds. This doesn't not mean we won't buy or sell positions mid-week or that we need to trade every week. We simply look for analysis to confirm each fund is currently the best option for our needs and if not, is the difference enough to make the change? As we have gained more experience with our analysis we have generally increased the threshold required to make changes in our portfolios to seek better alpha inefficiencies between funds.

As a recent example, we are currently having an ongoing conversation with an investor who has seen their favorite municipal CEF (**Fund A**) narrow from a -7% discount to a current small premium. The fund currently yields about 6.15% and we both agree that it is well managed and has solid bond fundamental data (Earnings, Credit Quality and UNII). However, we suggest swapping into a highly similar fund (**Fund B**) with an -8% discount and 6.4% market yield. If one had $1M invested in **Fund A,** you would have $997K in underlying municipal bond exposure and be collecting $61.5K a year in income. Our advice would be to swap to **Fund B**, and have $1.1M in underlying bond exposure and $64K a year in indicated tax-free yield. In this case, the investor has about $119K in short-term capital gains, but would get $90K+ more bond exposure and an extra $2.5K a year in tax-free income. If you set aside 1/3 of the gain for taxes, you would still have about $50K more in Municipal Bond exposure and have the possibility over time to do similar swapping trades, potentially increasing the tax-free income and growing the portfolio's relative asset exposure. Of course, some trades might end up with losses, but no investor we know as a flawless record. It is not a perfect system, but one that makes sense in our experience and taps into the opportunities provided by the natural volatility and trends of CEFs.

At the same time, we suggest predetermined discount levels or cost basis loss thresholds that trigger a hard review of your investment premise for a CEF. Was the negative movement caused by the sector, the portfolio manager's picks, or discount widening? The easiest way to make money in our experience is to cut losses and let gains run. We know this is very easy to say and can be hard to execute on a constant basis, but we believe the nature of CEFs allows a greater chance of this over time than other investment structures. Some people get excited about a 5 year performance record or when a fund has never cut their dividend rate. Managers and markets are more dynamic and fickle in our opinion. So, we focus on 90 day, 6 months or 1-year data vs. peers to give a more accurate and sensitive picture of a CEF.





Source: CEF Connect

Example: We like when a fund's NAV is growing and market price is either stalled or trending down. The fund to the left shows this behavior very clearly. Over the past year the discount has widened, but NAV has increased, while paying a monthly dividend.

Click here for complete reading

Various Ways to Play Emerging Markets

May 27, 2014

Authored by:
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Year to date through May 26, the MSCI Emerging Markets Index rose 3.9% outperforming the MSCI EAFE Index's 1.9% gain, as investors have been adding fresh money to the emerging market style. This relative strength might be a bit of catch up. In 2013, the advanced international markets rose 19.4%, much stronger than the 5.0% loss for emerging market. Looking back over the past three years, the MSCI Emerging Markets Index had a beta of 1.31 relative to the S&P 500 Index, while the MSCI EAFE Index had a beta of 1.19. So given this elevated risk, what is the appeal of emerging markets?

According to the International Monetary Fund's April 2014 forecasts, the non-developed market growth slowed in 2013. However we think investors should still be pleased with the expected above-average 7.5% growth for China, 6.5% for the Philippines, 6.4% for India, and 5.2% for Malaysia. Even the 3.7% for South Korea and 3.1% for Poland and Taiwan look favorable relative to the 2.8% for the United States and 1.2% for the advanced Euro area.

Further from a valuation perspective, according to Bloomberg data, the Emerging Markets Index was valued at a P/E of 11 times 2014 consensus estimates, a 33% discount to the EAFE Index's 16. Looking back on a monthly basis since 1995, the Emerging Markets Index historically traded at a 32% discount to the more developed international market.

The two largest emerging market ETFs are Vanguard FTSE Emerging Markets (VWO 43 Overweight) and iShares MSCI Emerging Markets (EEM 43 Marketweight) and thus far in May they have added more than $1 billion of fresh money. Despite similar names, they have performed differently in the recent past. In 2013 EEM lost only 3.7%, while even with a lower expense ratio VWO declined 4.9%. However, thus far in 2014, VWO has been the stronger performer.

In June 2013, Vanguard transitioned away from the aforementioned MSCI standard to a FTSE benchmark for this ETF. The major impact was to eliminate exposure to South Korea, as FTSE considers this Asian country to be an advanced market rather than an emerging one. South Korean stocks, including Samsung Electronics, made up 15% of EEM assets making it the second largest country exposure behind China, so the absence of this exposure is noticeable. Meanwhile, VWO has more exposure to Taiwan, Brazil, and India than EEM.

While these are the two largest emerging market ETFs, investors have a range of additional choices, depending on their objective, including regional, country and sector specific ETFs. If you want exposure to emerging markets but realize that they historically have incurred elevated risk, there are a few choices, such as PowerShares S&P Emerging Markets Low Volatility (EELV 28 Marketweight) and iShares MSCI Emerging Markets Minimum Volatility (EEMV 60 Marketweight). As with EEM vs. VWO, it is important to look under the hood and see what's inside these two similar sounding ETFs.

iShares seeks out more diversification in its low volatility products, using bands for sectors and countries to avoid concentration, while PowerShares chooses the least volatile stocks with no such constraints. As a result, the country and sector exposure is quite different.

China and Taiwan made up 19% and 16% of EEMV's mid-May assets, but 7% and 26% of EELV's. Another notable country difference was EELV's 15% weighting in Malaysia, nearly double the 8.5% stake for EEMV.

From a sector perspective, Financial and Consumer Staples stocks were 32% and 11% of EELV's assets compared 27% and 14% of EEMV's, respectively. Other notable sector differences were the 8% and 6% of assets in Health Care and Utilities stocks for EEMV, double that of EELV's weightings.

Key Takeaways

There are lots of emerging market ETF choices for investors but what's inside can be different.

POSITIVE IMPLICATIONS

ISHARES MSCI EMERGING MARKETS ETF	MARKETWEIGHT	[EEM]
ISHARES MSCI EMERGING MARKETS MINIMUM VOLATILITY ETF	MARKETWEIGHT	[EEMV]
POWERSHARES S&P EMERGING MARKETS LOW VOLATILITY PORTFOLIO	OVERWEIGHT	[EELV]
VANGUARD EMERGING MARKETS STOCK INDEX FUND; VANGUARD FTSE EM ETF	OVERWEIGHT	[VWO]

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

Click here for complete reading

World Cup 2014 - A time for nations to bond

May 2014

Authored by:

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What does summer 2014 really mean? Beaches, parties, barbeques...? For many this summer, it can mean only one thing – soccer.

Soccer fans everywhere are getting ready for the 2014 FIFA World Cup in Brazil. Forget the sideshow of the cost of a team USA shirt ($150 for a soccer jersey), or whether the dressing rooms will be finished on time, for many the only real focus is the often intense discussion of the pros and cons of each team, golden boot contenders, best haircut, best boots and of course the ultimate winner of the coveted World Cup trophy.

This tournament also brings together a host of companies and industries vying for business on the back of the competition. At the heart of this are some industries that are prevalent in all professional sporting occasions and make up the DNA of these live events. Take betting, for example, as customary in soccer as in any other sporting industry. The local “bookie” has been transformed into the global monolith, which is now a fast-paced industry worth billions of pounds.

Go back 20 years to the World Cup of 1994 in the US and it is likely that the average soccer fan would have had a limited number of markets to bet on through the entire tournament. However, this has changed dramatically. There are now over 50 different types of pre-game and inplay markets from which to choose. Such is the diverse nature of markets on offer; it is no longer about just picking winners and losers, but adding value to an overall portfolio of “bets” fluctuating back and forth during the length of the match, tournament or season. In our view, a smart approach would be to draw on the ethos of a bond investor and look to build a diverse portfolio that seeks to add value through incremental gains, rather than betting the house away.

As fixed income investors, we would approach the World Cup in a similar fashion. But rather than soccer, we assess the global bond universe. It is down to us to research and uncover a portfolio of bonds that we believe are mis-priced, offer a solid income yield and have capital appreciation
potential. While we may not have the same betting knowledge of a bookmaker, we think that our thoughts below (on soccer and investing) might add some color to your betting ticket.

England (representing the UK). The English soccer team is well known for their penalty misses and have a habit of underachieving at major soccer tournaments. The current team isn’t expected to lift the trophy, and for that matter, make it past the group stages given Uruguay and Italy are ranked higher than England.

We think it’s important to avoid home biases and look for opportunities further afield. Although we like the UK corporate and sovereign bond market, we feel it is overbought and there are few bonds that we favor that haven’t been unearthed by the majority. We believe those looking for value are better placed to think globally and make a tactical bet. For example, Costa Rica’s soccer team, the fourth constituent of England’s tournament group, is ranked lowest. Yet despite this, there could be value placing them to finish third or even second in the group.

Latin America. Traditionally, Brazil is one of the favorites for the World Cup. This time, however, their soccer team is a clear favorite and not just because of their past performance, but because they have the upper hand of home advantage. Argentina, also a contender for glory, is less predictable and known to be erratic. While worth backing, they come with a high degree of risk. Sound familiar? Interestingly, Uruguay has been touted as dark horses given their 2010 World Cup performance and formidable strike partnership. Yet their qualification campaign was indifferent and recent results have been average. Further research that can only be ascertained at the local level will give fans a better indication as to whether the prices offered for the Latin American countries are justified. When investing globally, we believe it is imperative to have “boots on the ground” and close to the action. Having analysts stationed in offices around the world with a global research process that is shared among investment teams is far more effective, and we believe ultimately gives managers that extra edge to realize an investment’s full value.

Europe. The German soccer team is always hard to break down. Meanwhile, the French national team has been in disarray for some time and is somewhat reminiscent of the country’s fractious political landscape. Given their close links and vibrant export market to Latin America, we believe Portugal and Spain are better placed than the core European nations within the tournament. With many investors shying away from the periphery, we believe value can be found in select bonds in these countries. And where fans may bet on Portugal to reach the semi-finals, which is feasible so long as Ronaldo maintains his form, we believe in only selectively investing in corporate bonds.

Eastern Europe. Geopolitical tensions in Ukraine surrounding the Crimean peninsula have unsettled bond markets. Although Ukraine is not involved in the World Cup, their regional neighbors, Bosnia & Herzegovina and Croatia, are. However, we have as much confidence in these teams winning the tournament as we do with Obama and Putin having a coffee together anytime soon.

North/Central America. In terms of bond investing, we struggle to really see value in this market. We prefer Mexico over the U.S. as an exaggerated play on the market. Mexico currently has strong fundamentals, but is also attractively priced relative to other risk assets. In terms of soccer, Mexico may be a long shot to win the World Cup, but we believe there certainly is value in betting on them to make it past the group stages.

Africa. Each year African teams tend to throw up a surprise, whether it's Roger Milla's dancing against England or Asamoah Gyan's last-minute penalty miss. Knowing which team to choose is always tough as the research available is limited. Africa's bond markets fall into either the emerging or frontier market category. Investing in these markets is challenging given the limited investment infrastructure, illiquid environment and lack of research. However, that is beginning to change. Emerging and frontier markets offer the opportunity to invest in developing economies with favorable growth dynamics and moderate debt levels.

Asia. Soccer fanatics, yes – but Japan and South Korea are unlikely to do much on the world stage in Brazil. They sit in a group from which qualifying is within their reach. However, much will depend on how the teams in their group perform against one another, namely Russia and Algeria. But, the Koreans are used to unique situations. The performance of their bond markets is very much tied to China's economy, while over the last 50 years their economy has grown from a lowly-rated frontier market to one that is a strong example of the possibilities of technological innovation. Japan's group, however, is much tougher. Much like their bond market, the risks attached to the returns we seek for qualification are too high.

Middle East. It's hard to see any value in these markets – both in soccer and fixed income. Iran flies the flag here, but that's as much we see them doing.

Australia. The national team rarely contains more than a handful of these players, which means World Cup glory is far from reach. Australia's bond market is much like the team. Most of the good ones are issued outside the home market and the pool of bonds available is very small.

Our portfolio of bets would consist of six regional bets and some selective ones to incorporate the winner of the golden boot and clean sheet award. We believe this would provide good diversification across the tournament and incremental gains where possible. We would also include Spain as a likely qualifier to hedge our portfolio. Our golden boot choice is Messi for Argentina, and although he operates in a volatile team like many of the corporate bonds in our investment universe, significant value is achievable when backing individuals. To get past the group stages, we have plumped for Argentina, Chile and Mexico. All are akin to high-risk names, but they have the home advantage and localized knowledge that many will lack. We like Germany for the quarter-finals and Uruguay for the semi- finals, which are both fundamentally sound and are countries that we favor. Our winner is the obvious choice: Brazil.

All of this fun aside, we are a global investment company rather than a professional soccer pundit or betting shop. We would rather focus on the fundamentals of the bonds we invest in and understand the markets in which we are active. Our thoughts are our own and not indicative of what our readers should bet on, rather we are happy to sit on the sidelines and let the professionals battle it out. Best of luck.

For more information on Aberdeen's closed-end funds, please visit www.aberdeen-asset.us/cef

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WORLD CUP-COMM

High Yield Market Review and Outlook, May 2014

May 2014

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Market Environment

The U.S. high yield bond market, as represented by the BofA Merrill Lynch High Yield Index, generated a 0.69% return in April, benefiting from a further rally in the five-year Treasury and spread tightening. The yield to worst declined by 11 basis points to 5.22% and the spread to worst tightened by 7 basis points to post-recession lows of 387 basis points over comparable Treasurys. The average dollar price increased to $104.7 in April which was up from $104.5 in March.

Higher credit quality bonds continued to outperform in April with the BB segment generating a 0.84% return, while B rated and CCC and below rated bonds returned 0.51% and 0.71%, respectively. According to Moody's Investors Service, the U.S. issuer-weighted trailing 12-month default rate ended March at 1.7%. Moody's forecasts one-year forward default rates to be 2.7% in March of 2015.

Hypothetical Scenarios

Below, we present four scenarios that forecast one-year returns for the U.S. high yield bond market in varying market environments. The scenarios examine changes in default rates, recovery rates, spreads, and Treasury yields to depict forecasted returns for the overall U.S. high yield market. These returns do not represent actual performance, are not guaranteed, and serve only to illustrate possible total returns for changes in the four variables. An investor's actual performance may differ dramatically from these forecasts depending on many factors.

Scenario 1: In this scenario, the economy expands quicker than expected, leading to lower defaults (1.5%), while recoveries maintain long-term averages (40%). With an improving economy, spreads tighten to +300 in this scenario but are offset by 5-year Treasury rates rising to 2.5% as the taper accelerates and more talk of Fed tightening surfaces. In this bullish scenario, the high yield market generates a hypothetical total return of 6.0% over the next 12 months.

Scenario 2: Default rates are in line with Moody's projections (2.7%) and recovery rates maintain long-term averages (40%). In this scenario, spread tightening of 37 basis points to +350 is offset by 5-year Treasury rates rising by 57 basis points to 2.25%. This scenario generates a hypothetical return of 4.3% for the next 12 months.

Scenario 3: Defaults and recovery rates are the same as Scenario 2 but 5-year Treasury rates ratchet up to 2.75%, while spreads stay fairly constant, widening by 13 basis points to 400 basis points. In this scenario, the carry return more than offsets the loss from defaults and interest rate increases to generate a hypothetical return of 0.6%.

Scenario 4: In our worst case scenario, the economy does not expand as expected and default rates tick higher to 3.5%, while recovery rates decline to 35%. Spreads widen significantly to 600 basis points and 5-year Treasury rates rally back to 1.5%. In this scenario, the hypothetical return would be -2.9%.

Outlook

Despite the high yield market experiencing its largest default, the largest single new issue, and the first retail outflows in the leveraged loan market since June 2012,

BofA ML U.S. HIGH YIELD INDEX

CHARACTERISTICS AT 4/30/14

Price	$104.65
Duration	3.63 yrs
Spread to Worst	387 bps
Yield to Worst	5.22%
Current Yield	6.91%
5-Yr U.S. Treasury Yield	1.68%

HYPOTHETICAL OUTCOMES

AT 4/30/2015

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Default Rate	1.50%	2.70%	2.70%	3.50%
Expected Recovery	40%	40%	40%	35%
Spread Change (bps)	-87	-37	+13	213
5-Yr U.S. Treasury Yield Change (bps)	+82	+57	+107	-18
% Chg from Defaults	-0.97%	-1.75%	-1.75%	-2.44%
% Chg from Spreads	3.16%	1.34%	-0.47%	-7.73%
% Chg from 5-Yr U.S. Treasury Yield	-2.98%	-2.07%	-3.88%	0.65%
Expected Current Yield	6.81%	6.72%	6.72%	6.67%
Hypothetical Return	**6.02%**	**4.25%**	**0.62%**	**-2.85%**

Returns do not represent actual performance, are not guaranteed, and serve only to illustrate possible total returns for changes in the four variables. An investor's actual performance may differ dramatically from these forecasts depending on many factors.

our more favored countries that have lagged during the initial stages of this rally. As always, we are taking advantage of the inefficiencies that we believe are created by passively managed exchange-traded EM funds. We encourage our clients to not try to time these rallies and corrections, but instead remain invested for the long-term potential that EM equities provide.

the high yield market generated another positive monthly return for April and is now up 3.71% year to date. A combination of lower Treasury yields and moderate economic growth continues to support the high yield asset class. While we still expect Treasury yields to migrate higher as the year progresses with the completion of the quantitative easing taper program, improving economic growth after weather-induced weakness in the first quarter, and moderately increasing inflation partly due to sequester impacts running off and stronger wage growth, the strong technical demand for Treasurys has overwhelmed the fundamentals thus far year to date.

With spreads near 400 basis points and over 100 basis points wide of all-time tights, the high yield market can absorb an initial backup in rates but caution is warranted given current absolute yield levels near all-time lows and the average dollar price of the overall market nearly $105. Additionally, geopolitical risk continues to be an external threat with Ukraine and Russia tensions escalating as well as the potential global growth impact from the Chinese economy slowing more than expected. It is becoming mathematically more improbable that the high yield asset class can generate a total return beyond its carry and approach long-term averages over the next 12 months.

However, our view remains that high yield does still offer an attractive option for fixed income investors concerned about generating income and excess returns over Treasurys in a rising-rate environment despite the moderate return expectations for the asset class. We are closely monitoring the market for signs of a turn in the default cycle but don't believe we are anywhere close at this juncture despite the April default, which had been widely expected by the market.

Emerging Markets: PR is on the Upswing

May 28, 2014

Authored by:

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In early March, I wrote a post titled "Emerging Markets Should Fire Their PR Firms," which focused on some of the positive trends that seemed to be getting lost in the emerging market (EM) sell-off. The tide has since turned, and there has been a strong reversal in both news flows from and equity flows into EMs. Headlines have transitioned from "Currency Crisis" to "Modi Wins," and Russian equities have moved above the levels seen since before the Ukraine crisis began.

After falling more than 8% from the beginning of the year through early February, the MSCI Emerging Markets Index has staged a strong comeback. From March 20 through May 23, the index has risen more than 11%, outperforming the S&P 500 Index by nearly 1000 basis points and the MSCI World Index by more than 800 basis points. Year to date, the MSCI Emerging Markets Index has returned nearly 5%, outperforming both indexes by more than 100 basis points.

Moreover, we've identified several near-term catalysts that could further support the equity breakout that is underway. Prime Minister Modi's victory in India has dominated recent headlines, but the Indonesian Presidential election scheduled for early July could serve as a similarly significant positive catalyst for the world's sixteenth largest economy. Frontrunner Joko Widodo has campaigned on a platform of education, energy, infrastructure, and bureaucratic reforms. His ability to rapidly implement changes as mayor of Surakarta has fueled optimism that he can successfully move forward reforms on a national scale in short order.

Only in EM investing could a military coup be viewed as a potentially beneficial catalyst, but recent developments in Thailand are shining a new light on the risks and opportunities within that country. While Thailand is unlikely to grab favorable headlines in upcoming weeks, the resolution of regional political conflicts could provide a catalyst for Thailand. We have very little exposure to Thailand currently, but there may be an opportunity later this year to increase our exposure, given our view that the new government will look to rapidly roll out stimulus measures to support the political transition.

Although the breakout in EM equities has had good breadth, there have been laggards, including China and Mexico, both of which outperformed during 2013. We have a constructive top-down view of both countries, and are taking advantage of recent weakness by adding to our favorite positions. While the world focuses on reform prospects in India and Indonesia, Mexico is further along, with promising signs of continued momentum. Mexico recently increased its infrastructure spending target to $587 billion by 2018, more than twice the target President Pena Nieto announced in July of 2013 and the equivalent of nearly 50% of Mexico's annual GDP. This new figure includes $362 billion in public spending and is 71% higher than what the previous administration achieved. Project awards are only now beginning to ramp up, with many construction projects expected to begin later this year, which should provide additional tailwinds for this economy. Meanwhile, we still see significant opportunity within China as it navigates a soft-landing and advances reforms that should further open the economy and encourage private investment.

Despite the good news coming from many countries, investors should remain prepared for pockets of negative news and the volatility inherent in EM investing. For example, we remain cautious on Russia. Even if tensions de-escalate in Ukraine, recent events highlight the ongoing power struggles between Russia and the West that are playing out in many former Soviet states. Our research team was in Moscow several weeks ago and noted that there were no signs of stress within Moscow due to Ukrainian developments, with public approval ratings and nationalism at all-time highs. While we cannot predict Putin's next move, we must factor in downside risks when evaluating investments in this region relative to the opportunities we are seeing in more stable emerging markets.

While the market has looked past the near-term fiscal and economic challenges within Brazil, due in part to optimism about upcoming elections, we remain cautious as we have not seen a candidate put forth the slate of reforms we believe are needed to foster a stronger recovery. In this environment, we're continuing to seek out bottom-up growth opportunities that can do well with a less favorable economic backdrop.

We have been pleased to see more positive headlines coming out of the EMs over these past weeks, with equity flows and returns fueling near-term optimism. We expect additional bouts of volatility, but we believe this will create opportunities given the long-term growth potential of emerging markets and several near-term catalysts that can provide additional positive news flows. We have used the market upswing to realize gains in countries and companies that we believe may have risen too far of late, reallocating capital in some of

Infrastructure: Built to Last

May 2014

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We believe listed infrastructure remains an attractive way to participate in the continuing economic recovery, with predictable cash flows that may help to reduce portfolio volatility. This report offers perspective on recent market trends and highlights some of the more compelling opportunities we see today.

- Global infrastructure stocks have had solid returns over the last 12 months amid signs of accelerating economic activity and, more recently, a retreat in bond yields that lifted investor sentiment toward income-oriented equities.
- European infrastructure continues to offer attractive upside potential, in our view, even after registering substantial gains over the past year. Integrated electric utilities in the U.S. and Europe may be finally turning the corner. We continue to see compelling opportunities in select North American pipeline companies.
- As the need for extraordinary monetary easing fades and interest rates return to historical norms, we expect to see further rotation out of fixed income and into equities. We believe investors should consider including listed infrastructure as part of a diversified portfolio given the asset classes such as infrastructure. Also, listed infrastructure benefited disproportionately from the continued recovery in Europe. In the year to date through April 30th, global listed infrastructure gained 8.0%, compared with 1.2% for global stocks and 3.2% for global bonds.[1]

Update on Infrastructure Performance and Fundamentals

A strengthening global economy led to solid returns over the past year.

After years of struggling to find solid ground, the global economy began to show meaningful improvement over the past year. Factories ramped up production to meet increased demand, job growth accelerated and companies increased capital spending as management teams became more confident. As risks to the global economy diminished, the U.S. Federal Reserve announced it would begin to scale back quantitative easing (QE), sending the 10-year Treasury yield from 1.6% in May 2013 to 3.0% by year end. Infrastructure stocks generally lagged the broad market during this period, but still produced solid gains as fundamentals improved along with the global economy.

Infrastructure widely outperformed stocks and bonds in early 2014. Investors tempered their enthusiasm in early 2014 amid mixed U.S. economic data and concerns that the slowdown in China is worse than expected. While the outlook for the global economy remained generally upbeat, investors shifted to lessrisky securities, pushing the 10-year Treasury yield as low as 2.6% and providing a tailwind to income-oriented asset

Infrastructure has benefited from Europe's economic recovery. Many of the past year's top performers in the listed infrastructure universe are domiciled in Europe, where the weight of fiscal austerity has started to recede and sovereign bond yields have fallen to multi-year lows. Economic data have exceeded the market's expectations in the early part of 2014, and global capital has flocked to assets offering attractive valuations and the prospect of improving fundamentals. In addition, with Eurozone inflation falling to 0.5% in March, markets factored in the possibility that the European Central Bank could increase QE stimulus. As sentiment toward the region improved, a wide range of infrastructure companies benefited, both within Europe and globally.

We believe the Eurozone is currently exhibiting the best economic momentum across all major economies. According to our analysis, leading indicators such as the Purchasing Manager's Index (PMI) suggest that gross domestic product (GDP) growth in the Eurozone could accelerate to 2.0–2.5% by midyear, up sharply from -0.4% in 2013 (see below). Many European infrastructure companies continue to offer attractive upside potential, in our view. In particular, we believe toll road operators remain positioned to outperform based on attractive valuations and the sensitivity of their business models to economic activity.

Global Infrastructure Performance[a]
In USD at April 30, 2014

	YTD	1 Year
Toll Roads	14.5%	41.7%
Water	14.2%	26.9%
Electric Utilities	11.6%	10.8%
Airports	10.3%	30.8%
Pipelines	9.9%	10.0%
Gas Distribution	7.8%	10.2%
Communications	5.4%	4.9%
Railways	-1.8%	-5.8%
Marine Ports	-5.0%	-3.2%

(a) Total return in U.S. dollars, net of dividend withholding taxes based on sector classifications chosen by Cohen & Steers for the constituents comprising the UBS Global 50/50 Infrastructure & Utilities Index unless otherwise noted. *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. The information above does not reflect information about any fund or account managed or serviced by Cohen & Steers. Total returns are based on the UBS Global 50/50 Infrastructure & Utilities Index and MSCI World Index. See the back page for index definitions.

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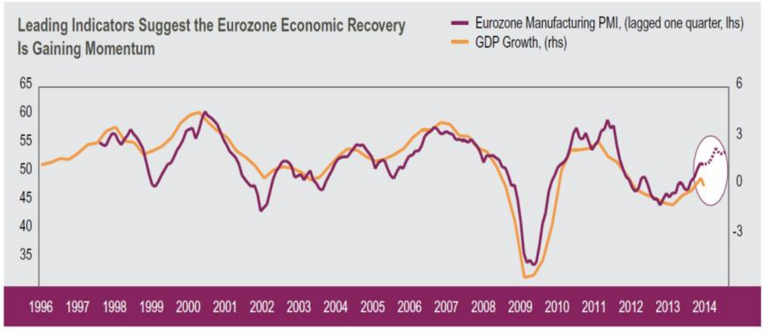
(1) Listed infrastructure is represented by the UBS Global 50/50 Infrastructure & Utilities Index; global equities are represented by the MSCI World Index; global bonds are represented by the Barclays Capital Global Aggregate Bond Index. See the back page for index definitions.



At March 31, 2014. Source: Thomson Reuters Datastream and Cohen & Steers.

Electric utilities see a potential trough in earnings. Electric utilities were among the prime beneficiaries of the recent decline in U.S. Treasury yields as investors looked more favorably on their relatively high dividend yields and defensive business models. The past several months also provided further confirmation in our view that earnings are beginning to stabilize and that the sector's multi-year trend of downward earnings revisions is coming to an end. We believe fundamentals should begin to strengthen for regulated utilities, although valuations remain too high in our view given our outlook for higher interest rates. Integrated utilities in both the U.S. and Europe continue to face challenges of power oversupply, but we are seeing less risk of government intervention in Europe as fiscal conditions have improved.

Pipeline companies continue to prosper from North America's energy renaissance. Many of the smaller pipeline companies with strong growth profiles have recorded substantial gains over the past year. These include companies structured as master limited partnerships (MLPs), which are not in the infrastructure index. Despite the strong relative performance of these companies, we continue to see a number of trends that should lead to greater demand for midstream energy infrastructure and the potential for attractive returns.

We continue to see a bright future for energy infrastructure in North America, where the growing production of crude oil, natural gas and natural-gas liquids continues to drive the need for a more robust energy grid, requiring new and repurposed pipelines, processing plants and storage facilities. Companies are also taking steps to develop export facilities that will enable them to sell liquefied natural gas (LNG) and liquefied petroleum gas into overseas markets, where prices are currently much higher. However, we do not expect that all projects in the pipeline will be approved, and those companies with a head start will be advantaged.

Listed Infrastructure Is Well Suited for Today's Market

While the global economy appears to be improving, there are concerns about the global impact of China's slowing economy and the potential risks surrounding the unwinding of QE in the U.S. Many investors have responded by reducing the size of their bond allocations and increasing their investments in alternative asset classes such as infrastructure that offer relatively predictable income and the potential for capital appreciation in an improving economic environment. We are also seeing pension funds, foundations and other institutional investors increasing their allocations to listed infrastructure amid the demand for tangible assets as a store of value and an alternative source of income.

A total-return opportunity grounded in assets with stable cash flows. Infrastructure securities typically pay dividends in the range of 3–4%. On average, our estimates suggest that the underlying assets have the potential to support annual cash-flow growth of 5–6% over the next three years. Roughly half of this cash-flow growth is expected from rising prices for infrastructure services (electricity rates, tolls, transport costs or other tariffs). These prices are typically set according to a regulatory or concession framework with the local government, and often have periodic adjustments linked to inflation. The other half of cash-flow growth is derived from rising throughput, which is a product of local economic growth—or, as in the case of cellular towers or pipelines, from long-term secular trends. The resulting cash flows tend to be relatively predictable, with long-term growth tied to the economy and inflation.

A history of upside participation and downside protection. Infrastructure stocks have historically lagged the broad stock market during rising markets, but have demonstrated greater resilience during downturns, when investors tend to favor asset classes with predictable cash flows. This pattern has been evident over the past five years, as infrastructure stocks captured 79% of the broad market's upside, but only 65% of the downside (below left). As a result, global infrastructure securities achieved competitive total returns relative to the broad equity market, with lower volatility (as measured by standard deviation, below right).

Participating in the massive global need for infrastructure investment. Over the next several decades, tens of trillions of dollars will be required globally to upgrade existing infrastructure and expand capacity in underdeveloped regions. Aging electricity grids and transportation networks in developed markets will need to be updated to accommodate increased throughput. Meanwhile, emerging markets need infrastructure of all types to accommodate powerful demographic trends such as urbanization and rising standards of living.

Historically, infrastructure projects have depended mostly on government financing. But with many countries facing budget strains, private capital will likely take on a greater role, with a share of the funding likely to come from publicly traded infrastructure companies. We believe these companies are in a strong position to make these investments, having strengthened their balance sheets over the last several years, setting a foundation for meaningful growth potential for the foreseeable future.

Valuations remain attractive. As of the first quarter of 2014, companies in the infrastructure index had cash flow multiples slightly higher than their historical norms, trading at 9.4 times forward-year revenue estimates, compared with a historical average of 8.6. We believe this modest premium is warranted given the relative attractiveness of assets that offer predictable cash flows, attractive income, inflation protection and growth potential. We also estimate that infrastructure stocks are trading at a 10% discount to their underlying net asset value versus a historical average in the 0–5% range.

Opportunities for Active Management in Infrastructure

We expect infrastructure will continue to play an important role in helping to reduce portfolio volatility, participating along with the broader market in further gains, while deriving support from the relatively stable cash flows of their assets in the event of a downturn. However, opportunities within the infrastructure universe vary widely, in our view, with some businesses currently offering significantly better value than others.

We believe the best way to access the benefits of infrastructure securities is through a separate, actively managed allocation, implemented either through a standalone strategy or as part of a diversified allocation to real assets. For more insights on how infrastructure securities can fit into a diversified investment portfolio, please see our white paper, *The Case for Global Listed Infrastructure*, available for download at the Cohen & Steers website at cohenandsteers.com/insights.

Index Definitions

An investor cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes.

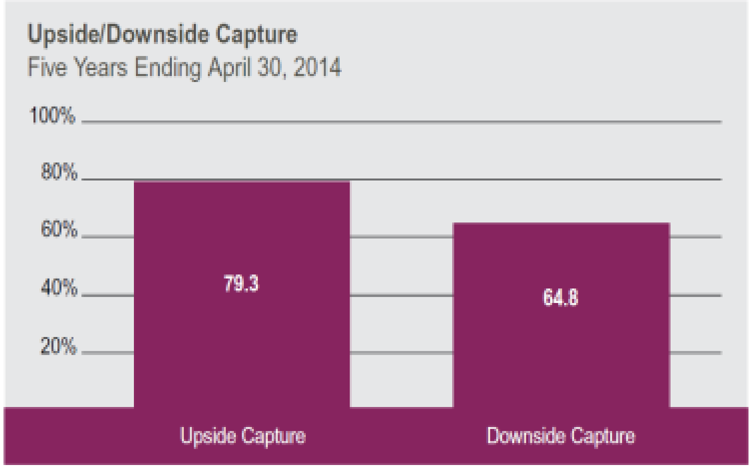
A 10-year Treasury is a debt obligation issued by the U.S. Treasury that has a term of more than one year, but not more than 10 years.

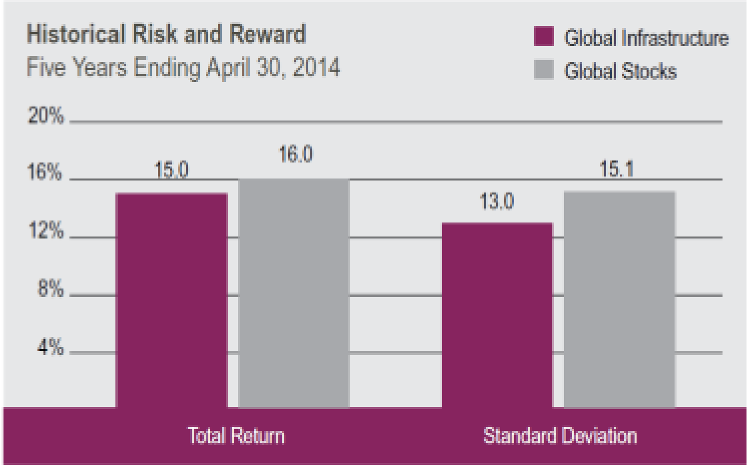
The Barclays Capital Global Aggregate Bond Index is a multi-currency benchmark that measures global investment-grade debt from 24 different local currency markets and includes fixed-rate treasury, government-related, corporate and securitized bonds from both developed and emerging markets issuers.

The MSCI World (net) Index (net of dividend withholding taxes) consists of a wide selection of stocks traded in 23 developed countries. It is weighted for market capitalization and is considered an important benchmark of the state of global stock markets.

The UBS Global 50/50 Infrastructure & Utilities Index (net of dividend withholding taxes) tracks a 50% exposure to global developed market utilities sector and a 50% exposure to global developed market infrastructure sector. The utilities sector excludes the sub-sector generation utilities. The index is free-float market-capitalization weighted and is reconstituted annually with quarterly rebalances.

Important Disclosures





At April 30, 2014.

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. The information above does not reflect information about any fund or account managed or serviced by Cohen & Steers. Ratios of upside and downside capture reflect returns of the UBS Global 50/50 Infrastructure & Utilities Index relative to the MSCI World Index from May 1, 2008 through April 30, 2014. See the back page for index definitions.

To access the updates, please click on the links below.

- Aberdeen Global Income Fund, Inc. Announces Performance Data And Portfolio Composition: May 28, 2014
- Aberdeen Singapore Fund, Inc. Announces Record Date And Payment Date For Quarterly Distribution: June 10, 2014
- BlackRock(R) Announces Final May Cash Distributions for the iShares(R) Premium Money Market ETF: May 26, 2014
- Certain BlackRock Closed-End Funds Announce Estimated Sources of Distributions: May 30, 2014
- Blackstone / GSO Strategic Credit Fund Declares Monthly Distribution of $0.105 Per Share: May 23, 2014
- Calamos Closed-End Funds (NASDAQ: CHI, CHY, CSQ, CGO and CHW) Announce Monthly Distributions for June 2014: May 30, 2014
- Cohen & Steers Closed-End Funds Declare June 2014 Quarterly Distributions: June 11, 2014
- Certain DWS Closed-End Funds Declare Monthly Distributions: June 10, 2014
- Eaton Vance Municipal Income Trusts Declare Monthly Distributions: May 30, 2014
- Guggenheim Investments Announces June 2014 Closed-End Fund Distributions: June 2, 2014
- Horizons Announces May 2014 distributions for certain active ETFs: May 21, 2014
- Invesco Closed-End Funds Declare Dividends: June 2, 2014
- iShares Announces Index Change to Two iShares Fixed Income ETFs: May 30, 2014
- John Hancock Closed-End Funds Release Earnings Data: May 29, 2014
- MFS Announces Closed-End Fund Distributions: June 2, 2014
- Nuveen Closed-End Funds Declare Monthly Distributions: Jun 2, 2014
- Two Nuveen Closed-End Funds Announce Optional Redemption Price on MuniFund Term Preferred Shares: June 4, 2014
- Pioneer Investments Announces Changes in Investment Policies of Pioneer Floating Rate Trust (NYSE: PHD): May 28, 2014
- Pioneer Investments Declares Monthly Distributions for Closed-End Funds: June 3, 2014
- Prudential Global Short Duration High Yield Fund, Inc. reports unaudited earnings and financial position for quarter ended April 30, 2014: June 2, 2014
- State Street Global Advisors Launches European Small Cap SPDR ETF: June 5, 2014
- Tortoise Capital Advisors Announces Stockholder Approval of the Merger of TYG, TYY and TYN: May 28, 2014
- U.S. Bancorp Asset Management, Inc. Announces Financial Positions for Closed-End Funds: May 23, 2014
- WisdomTree Announces 10 Exchange-Traded Funds (ETFs) Now Have $1 Billion in Assets: May 27, 2014
- Yorkville High Income Infrastructure MLP ETF Declares Quarterly Distribution: June 17, 2014

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Recap from Capital Link's 13th Annual Closed-End Funds & Global ETFs Forum

13th Annual Capital Link Closed-End Funds and Global ETFs Forum
Thursday, April 24, 2014
The Metropolitan Club, One East 60th St.,New York City

Capital Link's 13th Annual Closed-End Funds & Global ETFs Forum was once again a huge success. The event took place on Thursday, April 24, 2014 at the Metropolitan Club in New York City, and drew in more than 1,000+ high caliber delegates.

The Forum is the only educational, industry, marketing, and networking event to combine closed-end funds (CEFs) and exchange-traded Funds (ETFs). The event provided a platform where CEFs and ETFs investors, and industry participants debate and exchange information on critical industry topics, the market outlook, and to network. Featured panel discussions and presentations were presented by senior executives and portfolio manager of individual CEF and ETF Funds, investment banks, analysts, rating agencies as well as industry experts. CEFs and ETFs are both complementary investing vehicles. These fast growing asset classes present advisors and investors with attractive returns and investment opportunities.

The Forum kicked off with the opening address of the **"CEF State of the Industry"** and **" ETF State of the Industry"** delivered by **Michael Taggart**, *CFA, VP, Director of CEF Research, CEF & Global Structured Products* of **Nuveen Investments** and **Deborah Fuhr**, *Managing Partner* of **ETFGI LLP** respectively.

Joseph Harvey, *President & Chief Investment Officer* of Cohen & Steers delivered the luncheon Keynote address, **"A Real View of the World."** Following the address was **The Annual Closed-End Fund & ETF Awards** ceremony. The Awards are an initiative of Capital Link's - a leading New York-based investor relations and financial communications firm that maintains a strategic focus on Closed-End Funds (CEF) and ETFs.

To the view the audio archive, presentations, and photo gallery of this Forum, please visit: http://forums.capitallink.com/cef/2014/index.html.

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