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The Month in Closed-End Funds: October 2014

PERFORMANCE

In October the market took investors on a wild rollercoaster ride—for one of the scariest months of the year. Volatility was on the rise, with the S&P 500 losing more that 5% in the first half of the month before rallying over 8% in the final two weeks. In 16 of the 23 trading days of October the Dow Jones Industrial Average made triple-digit moves, gyrating wildly on the plus and minus sides. Investors were assaulted by news of Eurozone weakness, declining global growth, and new cases of Ebola in the U.S. Nonetheless, as better-than-expected third quarter earnings reports and generally strong economic reports surfaced, both equity and fixed income CEFs managed to post positive NAV-based returns (+0.38% and +0.89% on average, respectively) and market-based returns (+0.44% and +1.39%, respectively) for the second month in three. The year-to-date returns for both groups remained in relatively strong positive territory, with equity and fixed income CEFs returning 7.90% and 11.60%, respectively, on a NAV basis.

At the beginning of October investors initially cheered news of a stronger-than-expected jobs report (the U.S. economy added a better-than-expected 248,000 new jobs in September, which helped push the unemployment rate to 5.9% - falling below 6.0% for the first time since 2008). The icing on the cake, however, was news of wage-growth stagnation, which led many to believe the Federal Reserve would not need to raise interest rates any time soon. Despite the S&P 500's witnessing its strongest one-day gain in nearly two months, doom and gloom resulting from the pro-democracy protests in Hong Kong and increased fears of Ebola outbreaks in Germany and Texas placed a pall over the markets. Dovish comments by the Fed and other central banks toward mid-month were seen by many as a precursor of economic weakness. And after the report by Germany's economic minister that Europe's largest economy was weakening, the Stoxx Europe 600 suffered its largest weekly loss in more than a year. However, six straight weeks of jobless claims coming in under 300,000 and better-than-expected industrial production, new housing starts, existing home sales, and third quarter GDP helped move the markets to the upside. A surprise move by the Bank of Japan to increase its quantitative-easing measures sent the markets on a tear, pushing the Dow and the S&P 500 into record territory on the last day of the month. The Dow finished the month up 1.86% and the NASDAQ composite rose 3.07%.

Treasury yields declined significantly during the middle of the month, with the ten-year yield declining 37 bps to 2.15% on October 15. However, after the Federal Open Market Committee announced after its two-day policy meeting that it could raise interest rates faster than the markets have forecasted, the Treasury yield curve steepened at all maturities one-year or greater from their mid-month lows. Strong equity moves and a risk-on focus helped push yields higher, but they remained significantly lower than their September closing values, with the seven-, ten-, and twenty-year yields declining 17 bps each for October to 2.05%, 2.35%, and 2.81%, respectively.

The Month in Closed-End Funds: October 2014

- For the second month in three both equity and fixed income closed-end funds (CEFs) posted plus-side returns on average, with equity CEFs returning 0.38% on a net asset value (NAV) basis and their fixed income counterparts gaining 0.89% for the month.
- For October only 10% of all CEFs traded at a premium to their NAV, with 11% of equity funds and 10% of fixed income funds trading in premium territory. Lipper's domestic equity CEFs macro-group witnessed the largest narrowing of discounts for the month—73 basis points (bps) to 7.64%.
- For the tenth month in a row all of Lipper's municipal bond CEF classifications posted returns in the black, with General & Insured Municipal Bond (Leveraged) CEFs (+1.26%) posting the strongest return.
- Once again mixed-asset CEFs (+1.10%) outpaced their domestic equity CEFs (+0.34%) and world equity CEFs (+0.05%) brethren.
- Real Estate CEFs (+5.35%) posted the strongest return in the equity universe for the month.

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THOMSON REUTERS

For October the dollar once again gained against the euro (+0.83%), the pound (+1.44%), and the yen (+2.28$). Commodities prices declined significantly, with near-month gold prices falling 3.30% to close the month at $1,171.60/ounce and with crude oil prices dropping a whopping 11.65% to close the month at $80.54/barrel.

For the month 80% of all CEFs posted NAV-basis returns in the black, with 63% of equity CEFs and 92% of fixed income CEFs chalking up returns in the plus column. Rising geopolitical concerns, glimpses of Europe's slowing economies, and global health concerns about Ebola continued to weigh on Lipper's World Equity CEFs macro-classification (+0.05%), pushing it to the bottom of the equity CEFs universe.

On the equity side (for the second consecutive month) mixed-asset CEFs (+1.10%) outshone the other macro groups, followed by domestic equity CEFs (+0.34%). Lipper's Real Estate CEFs classification (+5.35%) led the equity universe, benefitting from investors' search for income-producing securities. After its large pullback in September (investors took advantage of the buying opportunity and the classification's outsized yields as a result of trading at deep discounts), the median discount for Real Estate Funds was 11.53% at month-end. With the U.S. dollar continuing on its recent tear it was little wonder dollar-priced commodities were pummeled during the month. In addition, strong U.S. oil production helped keep prices down, sending Energy MLP CEFs (-4.83%) and Natural Resources CEFs (-3.88%) to the bottom of the equity universe. For the remaining equity classifications returns ranged from minus 1.73% (Pacific ex-Japan CEFs) to 4.37% (Growth CEFs).

Six of the ten top-performing individual equity CEFs were housed in Lipper's Real Estate CEFs classification. However, at the top of the leader board was Engex Inc. (OTC: EXGI, warehoused in Lipper's Growth CEFs classification), returning 13.09% on a NAV basis and traded at a 21.85% discount on October 31. Following EXGI were Cohen & Steers Quality Income Realty Fund, Inc. (NYSE: RQI, housed in Lipper's Real Estate CEFs classification), gaining 11.84% on a NAV basis and traded at a 12.18% discount at month end; RMR Real Estate Income Fund (AMEX: RIF), rising 9.33% on a NAV basis and traded at a 16.41% discount on October 31; LMP Real Estate Income Fund Inc. (NYSE: RIT), posting a 9.27% NAV-based return and traded at a 13.41% discount at month-end; and Turkish Investment Fund, Inc. (NYSE: TKF), posting an 8.91% return and traded at a 12.24% discount at month-end.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 14.94% to positive 13.09%—was wider than September's spread and much more positively skewed. The 20 top-performing equity CEFs posted returns at or above 5.31%, while the 20 lagging equity CEFs were below minus 4.76%.

CLOSED-END FUNDS LAB

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

	NAV RETURNS POSITIVE	PREMIUM/DISCOUNT		NOW TRADING AT	
		BETTER	WORSE	PREMIUM	DISCOUNT
Equity Funds	63	58	40	11	89
Bond Funds	92	63	33	10	90
ALL CEFs	**80**	**61**	**36**	**10**	**90**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	OCTOBER	YTD	3-MONTH	CALENDAR-2013
Equity Funds	0.38	7.90	0.19	16.03
Bond Funds	0.89	11.60	2.09	-1.74
ALL CEFs	**0.68**	**10.09**	**1.29**	**5.17**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	OCTOBER 2014	CALENDAR-2013
ALL CEFs	**25**	**28**

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

3 MONTHS THROUGH 9/30/2014	186
COMPARABLE YEAR-EARLIER 3 MONTHS	231
CALENDAR 2013 AVERAGE	564

Source: Lipper, a Thomson Reuters company

Given the strength of the U.S. dollar and the related declining demand for physical gold, it wasn't surprising to see ASA Gold & Precious Metals Limited (NYSE: ASA), housed in Lipper's Sector Equity CEFs classification, shedding 14.94% and once again sitting at the bottom of the equity CEFs group for the month. It traded at a 7.89% discount on October 31. Weakness in commodity prices, a strengthening dollar, and slowing demand for crude oil along with ample supply may have weighed on a subsection of Lipper's Energy MLP CEFs classification; Cushing Royalty & Income Fund (NYSE: SRF) posted the next poorest return in the equity universe, declined 13.00% and traded at a 3.30% premium at month-end. For October 95 equity CEFs experienced returns in the red.

Despite the FOMC's policy decision, which announced the end of its stimulus program, geopolitical and Ebola-related health concerns weighed on yields as investors sought the safety of Treasury bonds during the month. Investors pushed the ten-year yield down 17 bps to 2.35% at month-end, helping rally the prices of fixed income instruments. Municipal bond CEFs (+1.15%) remained at the head of the class, with all classifications in the subgroup experiencing returns in the black for the tenth consecutive month as investors still found buying opportunities the muni CEFs group was followed by world bond CEFs (+0.79%) and domestic taxable bond CEFs (+0.55%).

At the top of the fixed income classification charts were General & Insured Municipal Debt CEFs (Leveraged) (+1.26%) and New Jersey Municipal Debt CEFs (+1.17%), while High Yield CEFs (+0.05%) was at the bottom. In the municipal bond CEFs macro-group General & Insured Municipal Debt CEFs (Unleveraged) (+0.85%) was the relative laggard of the group. National municipal debt CEFs (+1.19%) outperformed their single-state municipal debt CEF counterparts (+1.10%) by 9 bps.

As a result of concerted efforts by the Bank of Japan and European Central Bank to prop up their economies, both classifications making up Lipper's World Income CEFs macro-classification (+0.79%) posted relatively strong October returns in the fixed income universe, with Global Income CEFs posting a 0.58% return and Emerging Market Debt CEFs returning 1.14% for the month. Because of the continued ongoing global fears, fixed income investors ignored some of the CEFs that take on greater quality risk, sending High Yield CEFs (+0.05%) to the bottom of the group. Corporate BBB-Rated Debt CEFs (+1.05%) posted the strongest return in the domestic taxable fixed income group (+0.55%).

Among domestic taxable fixed income CEFs the remaining classification returns ranged from 0.13% (U.S. Mortgage CEFs) to 1.16% (California Municipal Debt CEFs).

Surprisingly, four of the five top-performing individual CEFs in the fixed income universe were housed in Lipper's domestic taxable fixed income macro-group. At the top of the group was Franklin Universal Trust (NYSE: FT, housed in Lipper's High Yield [Leveraged] CEFs classification), returning 3.99% and traded at an 11.09% discount at month-end. Following FT were Eaton Vance Municipal
Income Trust (NYSE: EVN, housed in Lipper's General & Insured Municipal Debt CEFs classification), tacking 2.81% onto its September month-end value and traded at a 0.62% premium on October 31, and Nuveen Build America Bond Opportunity Fund (NYSE: NBD, housed in Lipper's General Bond CEFs classification), posting a 2.54% return and traded at a 10.68% discount at month-end.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 2.52% for Eaton Vance Tax-Advantaged Bond and Option Strategies Fund (NYSE: EXD, housed in Lipper's General & Insured Municipal Debt [Leveraged] CEFs classification and traded at a 4.48% discount on October 31) to 2.34% for Nuveen Build America Bond Fund (NYSE: NBB), housed in Lipper's General Bond CEFs classification and traded at a 10.07% discount at month-end. The 20 top-performing fixed income CEFs posted returns at or above 1.77%, while the 20 lagging CEFs were at or below minus 0.36%. A total of 28 fixed income CEFs suffered downside performance for October.

PREMIUM AND DISCOUNT BEHAVIOR

For October the median discount of all CEFs n arrowed just 11 bps to 9.29% - deeper than the 12-month moving average discount (8.57%). Equity CEFs' median discount narrowed 61 bps to 8.81%, while fixed income CEFs' median discount widened 6 bps to 9.46%. The world income CEFs macro-group's median discount witnessed the largest widening, 45 bps to 10.10%, while the domestic equity CEFs macro-group witnessed the largest narrowing of discounts in the CEFs universe – 73bps to 7,.64%.

For the month 61% of all funds' discounts or premiums improved, while 36% worsened. In particular, 58% of equity funds and 63% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on October 31 (58) was seven more than on September 30.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

The initial public offering of Eagle Point Credit Company (NYSE: ECC) saw about 5.2 million common shares sold at $20.00 each, for gross proceeds of approximately $103.1 million; underwriters have 45 ways to purchase up to an additional 773,295 shares to cover overallotments.

RIGHTS, REPURCHASES, TENDER OFFERS

Directors of Aberdeen Greater China Fund (NYSE: GCH) approved a share repurchase program that authorizes management to make open-market purchases of up to 5% of the fund's outstanding shares over a one-year period.

Gabelli Equity Trust completed its transferable rights offering. More than 27.4 million common shares were issued, totaling approximately $157 million. Preliminary results indicated the fund received total subscriptions of approximately $214 million (including oversubscription requests) or 136% of the shares available to be issued.

The repurchase offer for up to 10% of the outstanding shares of BlackRock Enhanced Government Fund (NYSE: EGF) at 98% of NAV will expire November 18, 2014

MERGERS AND REORGANIZATIONS

Shareholders of Nuveen Global Income Opportunities Fund (NYSE: JGG) and Nuveen Diversified Currency Opportunities Fund (NYSE: JGT) approved a proposal to combine them into a single new fund, Nuveen Global High Income Fund (NYSE: JGH), which will have a new investment mandate. The combination will occur in late November.

Shareholders of four Nuveen New Jersey municipal CEFs approved a merger. Nuveen New Jersey Investment Quality Municipal Fund (NYSE: NQJ), Nuveen New Jersey Premium Income Municipal Fund (NYSE: NNJ), and Nuveen New Jersey Dividend Advantage Municipal Fund 2 (NYSE: NUJ) will be merged into Nuveen New Jersey Dividend Advantage Municipal Fund (NYSE: NXJ). The timing was not disclosed.

OTHER

Special Opportunities Fund (NYSE: SPE) submitted shareholder proposals to four CEFs whose shares it owns: The Adams Express Company (NYSE: ADX), Tri-Continental Corporation (NYSE: TY), General American Investors Company (NYSE: GAM), and Central Securities Corporation (NYSE: CET). The proposals request self-tender offers for all outstanding common shares at or close to NAV and (if more than 50% of shares are submitted for tender) to cancel the tender offer and liquidate or convert the fund into an exchange-traded fund (ETF) or an open-end mutual fund.

Directors of LMP Capital and Income Fund (NYSE: SCD) approved management's recommendation to permit the fund to invest without limit in both energy and non-energy master limited partnerships, as long as no more than 25% of the fund's total assets are invested in MLPs that are treated as qualified publicly traded partnerships.

H&Q Healthcare Investors (NYSE: HQH) and H&Q Life Sciences Investors (NYSE: HQL) changed their names to Tekla Healthcare Investors and Tekla Life Sciences Investors, respectively. The funds will continue to trade on the NYSE under their current tickers.

Nuveen announced that Diversified Real Asset Income Fund (NYSE: DRA) commenced a tender offer. The fund will purchase up to 10% of its outstanding common shares for cash at 99% of NAV until November 7, 2014.

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CEF Performance Statistics

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Category	Average 1Mo NAV Change	Average 1Mo Mkt Change	Average P/D 10/31/2014	Average P/D 9/30/2014	Average 1 Mo P/D Change	Average YTD NAV Change	Average YTD Mkt Change	Average YTD P/D Change (%)
California Municipal Debt Funds	0.7%	2.0%	-5.7%	-7.0%	1.2%	11.6%	11.7%	-0.04
Convertible Securities Funds	0.1%	0.5%	-4.2%	-4.6%	0.4%	-2.0%	1.4%	3.36
Core Funds	1.2%	0.0%	-9.4%	-8.2%	-1.2%	0.5%	-0.8%	-2.65
Corporate BBB-Rated Debt Funds(Leveraged)	0.3%	0.8%	-9.1%	-9.5%	0.5%	3.4%	3.4%	-0.13
Corporate Debt Funds BBB-Rated	0.1%	-0.1%	-9.7%	-9.5%	-0.2%	1.5%	2.3%	0.62
Developed Market Funds	-0.6%	-0.2%	-10.2%	-10.6%	0.3%	-2.1%	-3.2%	-1.06
Emerging Markets Funds	0.4%	0.0%	-9.2%	-8.6%	-0.6%	0.9%	-1.0%	-1.50
Emerging Mrkts Hard Currency Debt Funds	0.7%	-0.2%	-10.9%	-10.0%	-0.9%	-0.4%	-1.4%	-0.89
Energy MLP Funds	-5.2%	-4.0%	-4.1%	-5.3%	1.2%	7.9%	5.2%	-2.81
General & Insured Muni Debt Funds (Leveraged)	0.8%	1.8%	-7.9%	-8.8%	0.9%	12.7%	11.6%	-0.89
General & Insured Muni Fds (Unleveraged)	0.5%	1.3%	-4.3%	-5.0%	0.7%	7.5%	8.7%	1.10
General Bond Funds	0.2%	1.0%	-4.0%	-4.8%	0.7%	0.7%	2.1%	-0.82
Global Funds	-0.4%	-0.6%	-9.7%	-9.6%	-0.1%	-3.2%	-1.5%	0.76
Global Income Funds	0.1%	-0.2%	-8.2%	-8.0%	-0.2%	0.9%	0.8%	-0.04
Growth Funds	3.5%	-0.1%	-12.1%	-7.2%	-4.9%	6.7%	5.7%	-4.31
High Yield Funds	-0.5%	0.1%	-4.6%	-4.8%	0.2%	-2.8%	-1.4%	1.44
High Yield Funds (Leveraged)	0.1%	0.6%	-6.0%	-6.5%	0.5%	-1.1%	-1.4%	-0.17
High Yield Municipal Debt Funds	0.5%	1.2%	-2.8%	-3.3%	0.6%	9.6%	10.5%	0.99
Income & Preferred Stock Funds	0.7%	1.3%	-6.0%	-6.4%	0.5%	7.4%	8.5%	0.67
Intermediate Municipal Debt Funds	0.6%	1.5%	-5.4%	-6.2%	0.8%	7.6%	6.7%	-0.84
Loan Participation Funds	-0.2%	-1.4%	-6.1%	-5.4%	-0.7%	-1.9%	-6.9%	-4.58
Natural Resources Funds	-4.8%	-2.7%	-8.9%	-10.5%	1.6%	2.1%	5.6%	1.30
New Jersey Municipal Debt Funds	0.7%	1.0%	-12.2%	-12.5%	0.2%	11.1%	8.0%	-2.46
New York Municipal Debt Funds	0.6%	1.3%	-7.9%	-8.5%	0.7%	10.4%	8.7%	-1.39
Options Arbitrage/Opt Strategies Funds	-0.2%	1.0%	-2.4%	-3.8%	1.4%	-1.1%	3.8%	4.58
Other States Municipal Debt Funds	0.7%	0.9%	-6.9%	-7.2%	0.3%	10.5%	12.4%	2.03
Pacific Ex Japan Funds	-1.7%	-1.2%	-9.9%	-10.4%	0.5%	-1.7%	-2.2%	-0.62
Pennsylvania Municipal Debt Funds	0.6%	1.3%	-10.8%	-11.4%	0.6%	10.7%	10.9%	0.16
Real Estate Funds	5.1%	5.8%	-6.6%	-7.6%	1.0%	13.4%	13.5%	0.84
Sector Equity Funds	-0.3%	-0.9%	-4.3%	-4.4%	0.1%	1.4%	1.3%	0.68
U.S. Mortgage Funds	-0.4%	-0.3%	-8.0%	-8.2%	0.2%	1.9%	0.7%	-1.04
Utility Funds	2.2%	1.7%	-6.3%	-5.8%	-0.6%	9.2%	10.5%	1.13
Value Funds	-0.1%	1.0%	-7.7%	-7.8%	0.1%	3.0%	5.7%	0.64

Top 5 Performing CEFs

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Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
Engex Inc	Growth Funds	EXGI	13.1%	1
Cohen & Steers Qual Rlty	Real Estate Funds	RQI	11.8%	2
RMR Real Estate Income	Real Estate Funds	RIF	9.3%	3
Turkish Investment Fund	Emerging Markets Funds	TKF	8.9%	4
LMP Real Estate Income	Real Estate Funds	RIT	8.8%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
Morg Stan India Inv	Emerging Markets Funds	IIF	43.8%	1
Engex Inc	Growth Funds	EXGI	36.0%	2
India Fund	Emerging Markets Funds	IFN	33.4%	3
Cohen & Steers Qual Rlty	Real Estate Funds	RQI	25.5%	4
Eaton Vance Muni Inc Tr	General & Insured Muni Debt Funds (Leveraged)	EVN	24.6%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
PIMCO Gl StksPLUS & Inc	Options Arbitrage/Opt Strategies Funds	PGP	11.3%	1
Cohen & Steers Qual Rlty	Real Estate Funds	RQI	9.2%	2
Tekla Life Sciences Inv	Sector Equity Funds	HQL	9.2%	3
Dreyfus High Yld Strat	High Yield Funds (Leveraged)	DHF	8.6%	4
Cohen & Steers TR Rlty	Real Estate Funds	RFI	8.6%	5

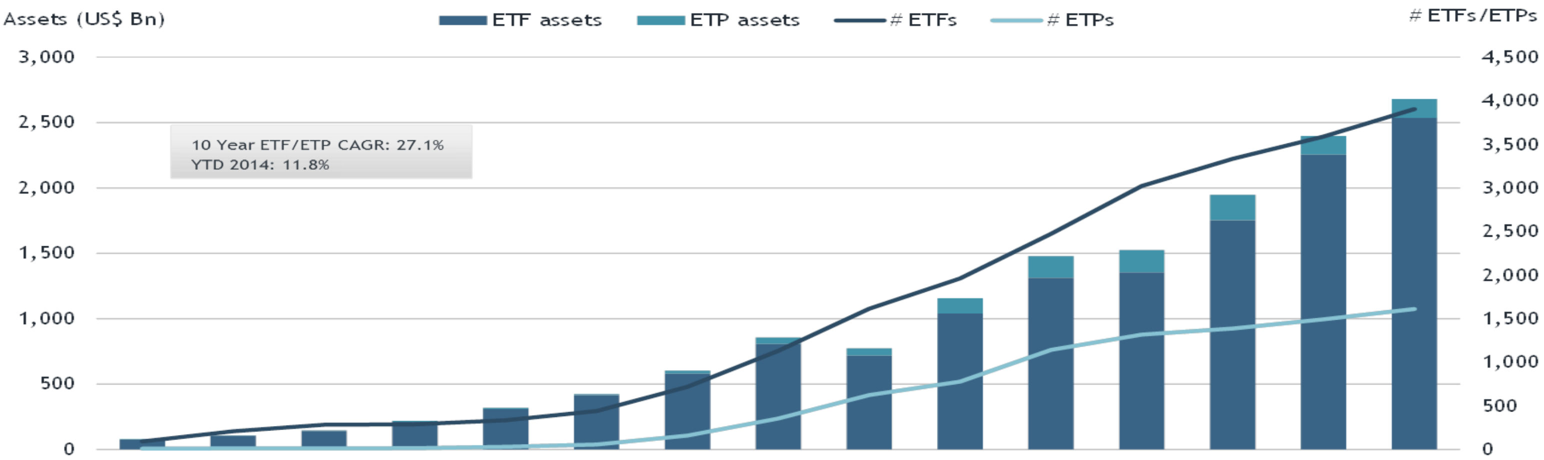
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
Engex Inc	Growth Funds	EXGI	54.3%	1
Morg Stan India Inv	Emerging Markets Funds	IIF	46.1%	2
India Fund	Emerging Markets Funds	IFN	38.7%	3
Kayne Anderson Enrgy Dev	Natural Resources Funds	KED	29.1%	4
Eaton Vance Muni Inc Tr	General & Insured Muni Debt Funds (Leveraged)	EVN	24.0%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
PIMCO Gl StksPLUS & Inc	Options Arbitrage/Opt Strategies Funds	PGP	22.3%	1
PIMCO High Income	General Bond Funds	PHK	7.6%	2
Dreyfus High Yld Strat	High Yield Funds (Leveraged)	DHF	7.4%	3
Pioneer High Income Tr	High Yield Funds (Leveraged)	PHT	7.3%	4
Kayne Anderson Enrgy TR	Energy MLP Funds	KYE	6.8%	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
Cohen & Steers Gl In Bld	Options Arbitrage/Opt Strategies Funds	INB	12.5%	1
Nuveen MO Prem Inc Muni	Other States Municipal Debt Funds	NOM	12.4%	2
PIMCO Gl StksPLUS & Inc	Options Arbitrage/Opt Strategies Funds	PGP	12.2%	3
MFS Special Value Trust	High Yield Funds	MFV	11.7%	4
GAMCO Gl Gld NR & Inc	Sector Equity Funds	GGN	11.4%	5

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

At the end of October 2014, the global ETF/ETP industry had 5,516 ETFs/ETPs, with 10,628 listings, assets of US$2.68 trillion, from 227 providers on 61 exchanges.



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Oct-14
# ETFs	94	209	284	289	335	440	719	1,132	1,614	1,962	2,474	3,023	3,335	3,591	3,905
# ETFs/ETPs	105	221	296	304	365	507	888	1,544	2,238	2,741	3,617	4,340	4,723	5,085	5,516
ETF assets	74	105	142	212	310	416	579	806	716	1,041	1,313	1,355	1,754	2,254	2,537
ETF/ETP assets	79	109	146	218	319	425	603	856	774	1,158	1,478	1,526	1,949	2,398	2,681

Summary for ETFs/ETPs: Global

ETFGI's research finds October's global net new asset (NNA) inflows of US$35.8 Bn, while large, are not a record month. The largest month for NNA inflows was September 2012 with US$45.8 Bn. Year-to-date ETFs and ETPs globally have gathered a record US$233.0 Bn in NNA through the end of October 2014, surpassing the previous high of US$205.2 Bn set in the first 10 months of 2013. At the end of October 2014, the global ETF/ETP industry had 5,516 ETFs/ETPs, with 10,628 listings, from 228 providers listed on 61 exchanges with assets of US$2.68 Tn, which is down slightly from the record high of US$2.70 Tn at the end of August 2014, according to preliminary data from ETFGI's end October 2014 Global ETF and ETP industry insights report.

Year-to-date NNA flows reached record levels for the ETF/ETP industries in Japan with US$15.7 Bn, Europe with US$56.1 Bn, and globally with US$233.4 Bn. Assets invested in the US-listed ETF/ETP industry hit a new record high of US$1.95 Tn.

In October the global ETF/ETP industry gathered a record level of NNA into fixed income products, with US$20.3 Bn surpassing the prior high of US$16.2 Bn set in February 2014. US-listed ETFs/ETPs also registered a record level of monthly NNA into fixed income products, gathering US$16.3 Bn surpassing the prior record of US$13.5 Bn set in February 2014.

"October was a challenging month with increasing macroeconomic concerns over deflation fears in Europe, the ECB's stimulus program, Germany cutting GDP forecasts due to "geopolitical crisis", dismal employment figures in France, 25 of around 130 European banks having reported to have failed the ECB's "stress test", and questions over the U.K.'s continued membership in the European Common Market. At the end of the month the markets reacted positively to the Bank of Japan's announcement of new annual purchasing targets of ¥80 Tn in bonds and ¥3 Tn in ETFs. The S+P 500 reached a new record, 2,017, which is up 1.2% for the month and 9.2% for the year. Developed markets ended the month down 2% while emerging markets gained 2%." according to Deborah Fuhr, Managing Partner at ETFGI.

In October 2014, ETFs/ETPs saw net inflows of US$35.8 Bn. Fixed income ETFs/ETPs gathered the largest net inflows with US$20.3 Bn, followed by equity ETFs/ETPs with US$12.7 Bn, and commodity ETFs/ETPs which had net outflows of US$833 Mn.

iShares gathered the largest net ETF/ETP inflows in October with US$21.1 Bn, followed by Vanguard with US$9.4 Bn and Nomura AM with US$2.2 Bn net inflows.

iShares is the largest ETF/ETP provider in terms of assets with US$1.0 Tn, reflecting 37.7% market share; SPDR ETFs is second with US$439 Bn and 16.4% market share, followed by Vanguard with US$426 Bn and 15.9% market share. The top three ETF/ETP providers, out of 227, account for 70.0% of global ETF/ETP assets, while the remaining 224 providers each have less than 4% market share.

In October 2014, 82 new ETFs/ETPs were launched by 31 providers. Including cross listings, there were 151 new listings from 36 providers on 16 exchanges. 29 ETFs/ETPs closed and there were a total of 42 listings removed from 6 exchanges. YTD through end of October 2014, 585 new ETFs/ETPs have been launched by 99 providers. Including cross listings, there have been 1,110 new listings from 103 providers on 36 exchanges. 154 ETFs/ETPs have closed, with a total of 616 listings removed from 23 exchanges.

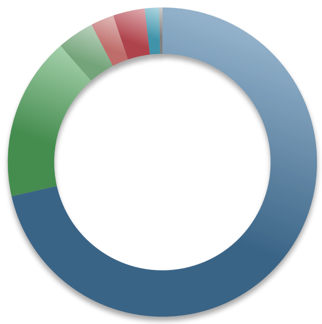
The top 100 ETFs/ETPs, out of 5,516, account for 56.5% of global ETF/ETP assets. 396 ETFs/ETPs have greater than US$1 Bn in assets, while 3,790 ETFs/ETPs have less than US$100 Mn in assets, 3,229 ETFs/ETPs have less than US$50 Mn in assets and 1,761 ETFs/ETPs have less than US$10 Mn in assets.

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.

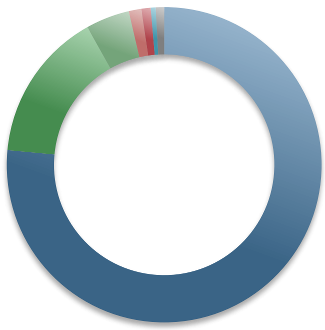
Global ETF/ETP Assets Summary

etfgi.com

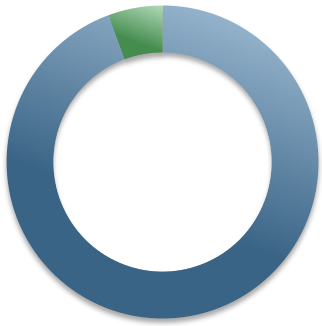
ETF/ETP assets by region listed



ETF/ETP assets by asset class



ETF/ETP assets by product structure



Region	# ETFs/ ETPs	Assets (US$ Bn)	% total
US	1,651	$1,916	71.5%
Europe	2,111	$459	17.1%
Asia Pacific (ex-Japan)	559	$104	3.9%
Japan	140	$89	3.3%
Canada	335	$65	2.4%
Middle East and Africa	676	$40	1.5%
Latin America	44	$9	0.3%
Total	**5,516**	**$2,681**	**100.0%**

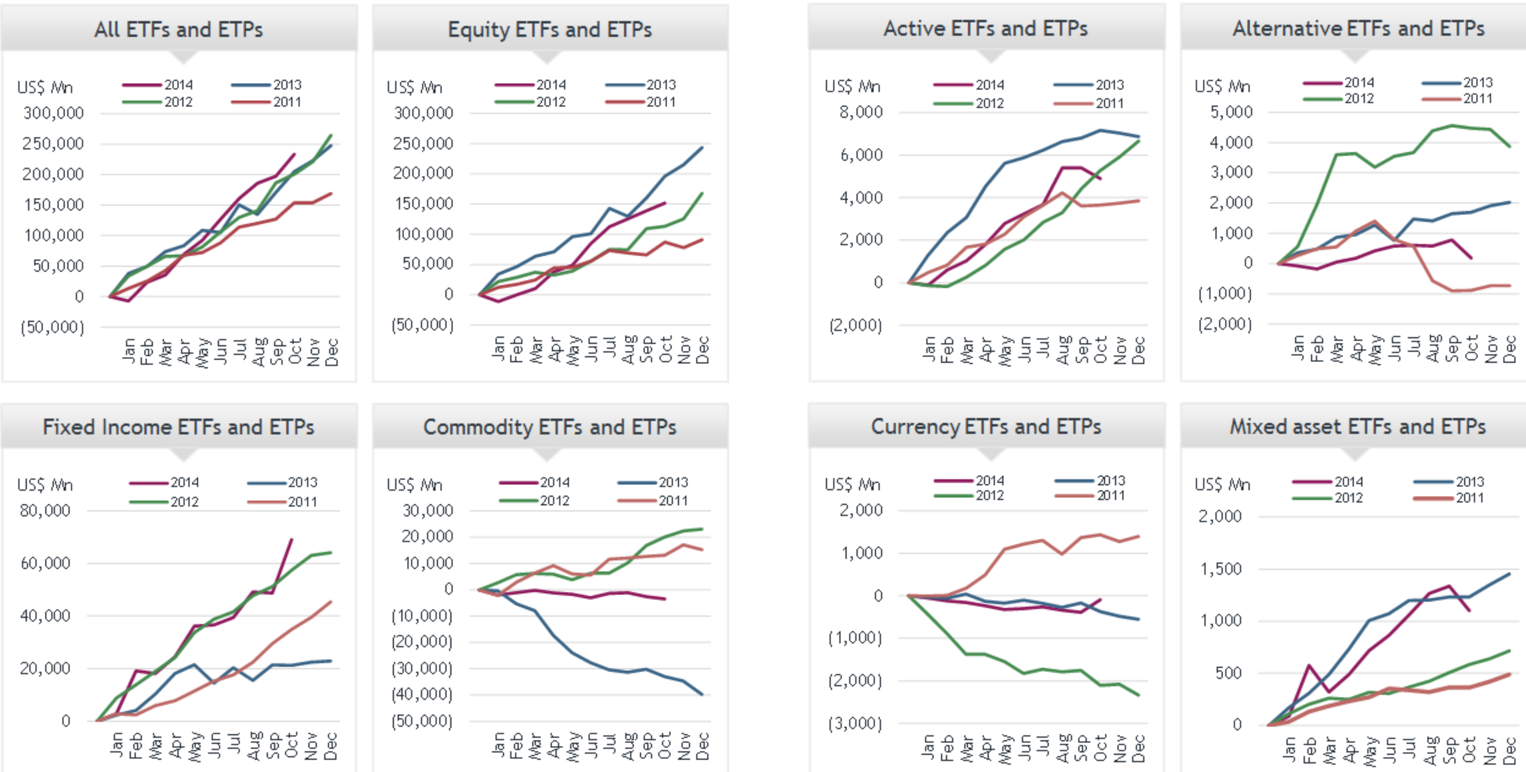
Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	2,863	$2,051	76.5%
Fixed Income	815	$413	15.4%
Commodities	740	$121	4.5%
Leveraged	323	$35	1.3%
Active	188	$26	1.0%
Leveraged Inverse	170	$14	0.5%
Others	417	$23	0.9%
Total	**5,516**	**$2,681**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
ETF	3,905	$2,537	94.6%
ETP	1,611	$144	5.4%
Total	**5,516**	**$2,681**	**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.

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 $35,880 Mn in October. Year to date, net inflows stand at $233,430 Mn. At this point last year there were net inflows of $205,245 Mn.

Equity ETFs/ETPs saw net inflows of $12,710 Mn in October, taking year to date net inflows up to $151,538 Mn. This is less than the net inflows of $196,221 Mn over the same period last year.

Fixed income ETFs and ETPs accumulated net inflows of $20,367 Mn in October, growing year to date net inflows to $69,125 Mn, which is greater than the same period last year which saw net inflows of $21,209 Mn.

Commodity ETFs/ETPs saw net outflows of $833 Mn in October. Year to date, net outflows are at $3,453 Mn, compared to net outflows of $32,981 Mn over the same period last year.

Actively managed products saw net outflows of $510 Mn in October, paring year to date net inflows to $4,949 Mn. This is less than the net inflows of $7,166 Mn over the same period last year.

Products tracking alternative indices experienced net outflows of $601 Mn in October, reducing year to date net inflows to $180 Mn. Over the same period last year net inflows stood at $1,696 Mn.

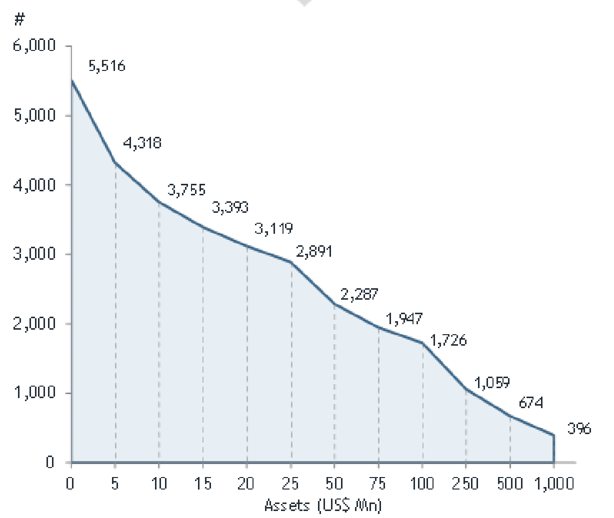
Currency products accumulated net inflows of $296 Mn in October. Year to date, net outflows are at $89 Mn, compared to net outflows of $373 Mn over the same period last year.

Products holding more than one asset class saw net outflows of $233 Mn in October, reducing year to date net inflows to $1,102 Mn. This is less than the net inflows of $1,233 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	5,516	100.0%	2,676	100.0%
5	4,318	78.3%	2,674	99.9%
10	3,755	68.1%	2,670	99.8%
15	3,393	61.5%	2,666	99.6%
20	3,119	56.5%	2,661	99.4%
25	2,891	52.4%	2,656	99.2%
50	2,287	41.5%	2,634	98.4%
75	1,947	35.3%	2,613	97.6%
100	1,726	31.3%	2,594	96.9%
250	1,059	19.2%	2,487	92.9%
500	674	12.2%	2,352	87.9%
1,000	396	7.2%	2,157	80.6%

There are 396 ETFs/ETPs with greater than US$1 Bn in assets which hold a combined total of US$2,157 Bn, or 80.6%, of Global ETF/ETP assets. 1,726 have greater than US$100 Mn in assets and 2,287 have greater than US$50 Mn in assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) Oct-14	NNA (US$ Mn) Oct-14	NNA (US$ Mn) YTD 2014
S&P 500 Index	322,091	10,762	25,385
MSCI EAFE Index	55,788	556	4,037
CRSP US Total Market Index	48,317	1,281	5,708
NASDAQ 100 Index	44,605	(2,965)	(10,480)
Nikkei 225 Index	42,994	(616)	5,078
TOPIX Index	37,546	(822)	4,756
S&P Mid Cap 400 Index	37,423	(1,951)	(2,823)
Russell 2000 Index	29,071	3,572	(637)
EURO STOXX 50 Index	28,737	2,060	(498)
MSCI Japan Index	26,618	(216)	1,099
Russell 1000 Growth Index	26,328	424	1,256
MSCI US REIT Index	25,819	549	4,177
Russell 1000 Value Index	24,740	431	1,935
DAX Index	23,653	(447)	(3,693)
FTSE Developed ex North America Index	23,241	269	5,370
NASDAQ Dividend Achievers Select Index	20,336	(106)	(20)
S&P Financial Select Sector Index	18,673	(675)	101
MSCI World Index	18,399	(127)	990
CRSP US Large Cap Growth Index	16,423	386	1,692
CRSP US Large Cap Value Index	16,295	508	2,697

Top 20 by monthly net inflows

Name	Assets (US$ Mn) Oct-14	NNA (US$ Mn) Oct-14	NNA (US$ Mn) YTD 2014
S&P 500 Index	322,091	10,762	25,385
Russell 2000 Index	29,071	3,572	(637)
EURO STOXX 50 Index	28,737	2,060	(498)
CRSP US Total Market Index	48,317	1,281	5,708
S&P Consumer Staples Select Sector Index	9,063	1,174	1,837
S&P Utilities Select Sector Index	6,899	936	1,455
S&P 500 Growth Index	12,302	612	1,425
WisdomTree Large Cap Dividend Index	2,477	565	504
MSCI EAFE Index	55,788	556	4,037
MSCI US REIT Index	25,819	549	4,177
FTSE 100 Index	11,457	532	686
S&P Preferred Stock Index	11,007	521	2,036
CRSP US Large Cap Value Index	16,295	508	2,697
Dow Jones US Technology Index	4,690	485	1,013
MSCI Australia Index	2,619	471	457
Russell 1000 Value Index	24,740	431	1,935
Russell 1000 Growth Index	26,328	424	1,256
FTSE High Dividend Yield Index	9,781	394	1,750
CRSP US Large Cap Growth Index	16,423	386	1,692
Wisdom Tree Europe Hedged Equity Index	3,248	384	2,623

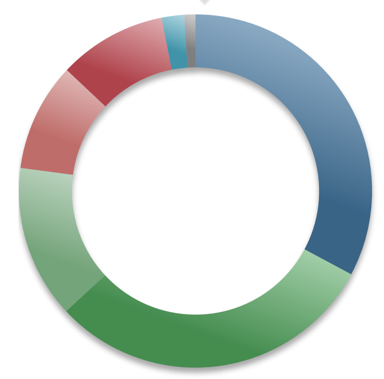
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.

Year to Date ETF / ETP Product Launches

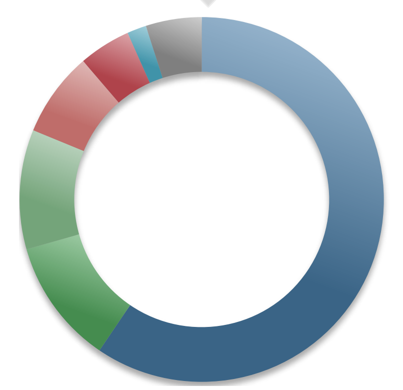
etfgi.com

YTD ETF/ETP product launches

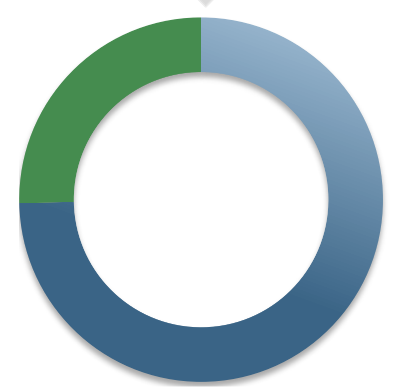
ETFs/ETPs by region listed



ETFs/ETPs by asset class



ETFs/ETPs by product structure



Region	# ETFs/ETPs	% total
Europe	192	32.8%
US	177	30.3%
Middle East and Africa	82	14.0%
Canada	58	9.9%
Asia Pacific (ex-Japan)	58	9.9%
Japan	12	2.1%
Latin America	6	1.0%
Total	**585**	**100.0%**

Asset class	# ETFs/ETPs	% total
Equity	348	59.5%
Active	65	11.1%
Fixed income	62	10.6%
Leveraged	44	7.5%
Leveraged Inverse	27	4.6%
Commodities	10	1.7%
Others	29	5.0%
Total	**585**	**100.0%**

Structure	# ETFs/ETPs	% total
ETF	437	74.7%
ETP	148	25.3%
Total	**585**	**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: Bond Market Liquidity Seen Moving Toward Asset Managers

November 11, 2014

Authored by:

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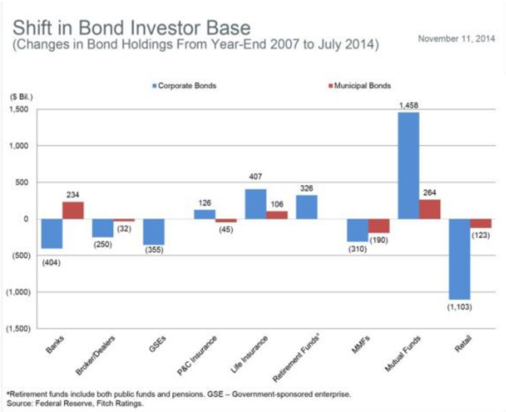
Asset managers are planning to hold more cash and large liquid bonds as broker/dealers' importance in providing liquidity to the fixed income markets has diminished, according to a Fitch Ratings survey of major asset managers. The changes are a natural offshoot of banking regulations that have reduced broker/dealer inventories of corporate and municipal bonds.



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Fitch Updates Market on Closed-End Fund Issuance of Debt and Preferred Stock

October 15, 2014

Authored by:

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Taxable CEFs have issued over $1.1 billion of private notes and preferred stock to insurance companies year to date. The investor group has broadened and the securities are pricing at tighter spreads. Bank funding (i.e. facility, prime brokerage, and repos) is up over $2.2 billion over the same time period.

In the municipal sector, CEFs have issued $3.7 billion in new preferred this year, which were sold to banks, money market funds and retail investors. The issuances were driven mostly by the need to refinance existing obligations, issue new leverage, and use proceeds to redeem ARPS.

Click here for complete reading

Rating Actions

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

- **Fitch Affirms Invesco Senior Income Trust VRTP Shares at 'AAA' –October 20, 2014**
- **Fitch Affirms Preferred Shares of Delaware Investments - October 21, 2014**
- **Fitch Rates New Kayne Anderson Fund Notes 'AAA'& Pfd 'AA'; Affirms Existing Ratings '– October 30, 2014**
- **Fitch Affirms Dreyfus Municipal Bond Infrastructure Fund, Inc. VMTP Shares at 'AAA'– October 31, 2014**
- **Fitch Rates & Affirms Nuveen Muni CEF Preferred Shares on Reorganization – November 10, 2014**

Select Closed-End Funds by Asset Class List Quarterly: Fall 2014

October 23, 2014

Authored by:

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Senior Analyst,
Wells Fargo Advisors

The Select Closed-End Funds by Asset Class List (Select List) includes a broad group of CEFs that are recommended for investors seeking exposure to a certain asset class. The objective of the Select List is to identify what we believe are the most favorable CEFs in multiple asset classes. When reviewing potential candidates, certain characteristics are considered, both quantitative and fundamental, including: valuation, distribution stability, leverage, liquidity, and risk/return profile. The inclusion of a CEF on the Select List is a recommendation to purchase the CEF for those investors in search of an exposure in line with that of the CEF's underlying assets and assuming the account meets the recommended investment objective and suggested minimum risk-tolerance threshold.

Recent Additions

This section includes a brief note on the CEFs that were added to the Select List during the quarter ending September 30, 2014 and are constituents of the list as of the date the report is published. Occasionally, some CEFs may be added during the quarter and removed prior to the publication of this report. As such, they are not included in this section. Eleven CEFs were added to the Select List during the third quarter, which are summarized in the table below.

July 23, 2014: Western Asset High Yield Defined Opportunity Fund (HYI, $16.62)

Suitability: Investment Objective: Income / Minimum Risk Tolerance: Moderate

HYI invests primarily in US high-yield corporate bonds, representing 87% of its total assets as of June 30, 2014, with the majority of the remainder invested in emerging-market corporates (3%), US investment-grade corporates (3%), and cash (4%). In addition, the credit quality of the majority of its assets was rated BB (11%), B (42%) or CCC (36%) and its top five sectors included: communications (16%), consumer cyclical (14%), consumer non-cyclical (11%), basic industry (10%) and energy (9%). It does not use leverage and its effective duration was 2.9 years. Finally, it is worth noting that HYI has a limited term structure and will liquidate on or about September 30, 2025.

We believe HYI's monthly $0.11 per share distribution (representing 7.1% of NAV and 7.9% of market price) should be stable in the near-term. HYI's earnings have trended downward over the recent past as the portfolio managers have been required to replace higher-yielding bonds that have been called away with lower-yielding bonds, which has resulted in multiple distribution reductions. However, the decline in earnings seems to have subsided, at least temporarily, based on the earnings reported on July '14, which quoted a distribution coverage ratio of 104%, which represents the earnings as a percentage of the distributions to shareholders, for the three months ending May 31, 2014. The declining earnings trend may recommence at some point given the call schedule of its portfolio; however, we are comfortable with the distribution for the time being.

At the time of its addition to the Select List, HYI was trading at a discount to NAV of 9.8%. As of October 22, 2014 HYI traded at an 11.3% discount to NAV.August 5, 2014: BlackRock MuniHoldings Investment Quality Fund (MFL, $14.15)

Date	Ticker	Name
7/23/2014	HYI	Western Asset High Yield Defined Opportunity Fund Inc
8/5/2014	MFL	BlackRock MuniHoldings Investment Quality Fund
8/5/2014	VMO	Invesco Municipal Opportunity Trust
8/5/2014	MMU	Western Asset Managed Municipals Fund Inc
8/6/2014	RQI	Cohen & Steers Quality Income Realty Fund Inc
8/6/2014	JSN	Nuveen Equity Premium Opportunity Fund
8/12/2014	NML*	Neuberger Berman MLP Income Fund Inc
8/14/2014	VTA	Invesco Dynamic Credit Opportunities Fund
8/15/2014	KIO	KKR Income Opportunities Fund
9/17/2014	MMD	MainStay DefinedTerm Municipal Opportunities Fund
9/24/2014	BGH*	Babson Capital Global Short Duration High Yield Fund

**NML was removed from the CEF Select List on 10/14/14*

**BGH was removed from the CEF Select List on 10/13/14*

Suitability: Investment Objective: Income / Minimum Risk Tolerance: Moderate

MFL invests in a diversified collection of US municipal bonds. As of August 29, 2014 its top five states (as a percentage of total assets) included Illinois (17%), California (15%), Texas (13%), New York (11%) and Florida (7%). Its top sectors included transport (29%), utility (19%), state tax-backed (13%), local tax-backed (11%) and health (9%). Its credit quality breakdown was as follows: AAA (5%), AA (42%), A (49%), BBB (3%) and BB (1%). Additionally, MFL primarily uses variable rate demand preferreds as its source of leverage, representing 38% of its total assets as of October 22, 2014, which is slightly above the average leverage ratio for national tax-free municipal bond CEFs. Keep in mind that leverage will increase the volatility of both the market price and NAV. Finally, its leveraged effective duration (a measure of interest rate sensitivity) was 11.5 years.

We believe MFL's monthly $0.0715 per share distribution (representing 5.5% of NAV and 6.1% of market price) should be stable, at least in the near-term. MFL's reported three-month earnings have been stable over the recent past and its distribution coverage for the three months ending August 31, 2014 was 104%.

At the time of its addition MFL traded at a 10.7% discount to NAV. As of October 22, 2014 MFL traded at a 10.1% discount to NAV.

August 5, 2014: Invesco Municipal Opportunity Trust (VMO, $12.79)

Suitability: Investment Objective: Income / Minimum Risk Tolerance: Moderate

VMO invests primarily in investment-grade municipal bonds. As of July 31, 2014 its credit quality breakdown was AAA 1%, AA 27%, A 41%, BBB 23%, BB 2%, B 2%, and not rated 5%. The top states included Illinois 13%, California 11%, Texas 11%, Florida 8% and New York 7%. The portfolio's top sectors included hospital (17%), industrial development revenue bonds/pollution control revenue bonds (10%), airport (7%), water/sewer (7%), and toll roads (6%). Its leveraged options-adjusted duration was 12.4 years and AMT bonds accounted for 9.5%. Over the next few years, a modest portion of the portfolio is expected to be called: 4% in 2014, 3% in 2015 and 7% in 2016. Finally, it uses a combination of Tender Option Bonds (TOBs) and preferred shares as leverage with a floating rate cost of borrowing and its total leverage ratio was 40%.

We believe that VMO's current monthly distribution of $0.066 per share (representing 5.6% of NAV and 6.2% of market price) is reasonable and sustainable because its distribution coverage ratio was a healthy 105% for the three months ended in July 2014.

At the time of its addition VMO traded at an 11.5% discount to NAV. As of October 22, 2014 VMO traded at a 9.6% discount to NAV.

August 5, 2014: Western Asset Managed Municipals Fund (MMU, $13.26)

Suitability: Investment Objective: Income / Minimum Risk Tolerance: Moderate

MMU invests in a diversified collection of US municipal bonds. As of June 30, 2014 its top five sectors included transport (23%), industrial revenue (16%), health care (14%), education (10%) and water & sewer (9%). Its credit quality breakdown was as follows: AAA (6%), AA (33%), A (45%), BBB (13%), BB (2%) and B (1%). Over the next few years, a modest portion of the portfolio is expected to be called: 6% in 2014, 0% in 2015 and 3% in 2016. Its leveraged effective duration was approximately 10.4 years. Finally, MMU primarily uses preferreds as its source of leverage, representing 22% of its total assets as of October 22, 2014, which is below average for national tax-free municipal bond CEFs.

We believe MMU's monthly $0.065 per share distribution (representing 5.5% of NAV and 5.9% of market price) should be stable, at least in the near-term. MMU's reported three-month earnings have been stable over the recent pat and its distribution coverage ratio for the three months ending August 31, 2014 was 101%.

At the time of its addition MMU traded at a 7% discount to NAV. As of October 22, 2014 MMU traded at an 6.8% discount to NAV.

August 6, 2014: Cohen & Steers Quality Income Realty Fund (RQI, $11.00)

Suitability: Investment Objective: Growth & Income / Minimum Risk Tolerance: Moderate

RQI invests in a collection of US REIT equities (85% of total assets as of June 30, 2014) and preferreds (15%). Its top five REIT sector allocation include office (14%), regional mall (12%), apartment (11%), health care (9%) and hotel (8%). In addition, the largest US regional allocations within the domestic portfolio included the Pacific (25%), South Atlantic (23%), Mid Atlantic (16%) and Northeast Central (11%). Finally, its top 10 holdings, which are listed below, represented 37% of its total assets. RQI uses a credit line as its source of leverage, 85% of which is at a floating rate and 15% at a fixed rate. Its leverage ratio as a percentage of total assets was 26% as of October 22, 2014.

We believe RQI's quarterly $0.19 per share distribution (representing 6.0% of NAV and 6.7% of market price) should be stable, at least in the near-term. When evaluating the distributions of CEFs with heavy equity exposure in general, we place a heavy emphasis on the NAV distribution rate. In order for the distribution of an equity CEF to remain stable, we believe that the NAV distribution rate should be proportionate to reasonably expected total returns for its underlying asset class. If the NAV distribution rate is beyond this level, we believe that the NAV is at risk of erosion over time, which may result in the need for a distribution reduction. We believe RQI's NAV distribution rate is reasonable in light of its portfolio's exposure and use of leverage.

At the time of its addition RQI traded at a 12.3% discount to NAV. As of October 22, 2014 RQI traded at an 11.4% discount to NAV.

August 6, 2014: Nuveen Equity Premium Opportunity Fund (JSN, $12.39)

Suitability: Investment Objective: Growth & Income/Minimum Risk Tolerance: Moderate

JSN invests in an equity portfolio that seeks to, as close as possible, replicate the performance of a 75%/25% combination of the S&P 500 Index and the NASDAQ-100 index, respectively. JSN also sells S&P 500 and NASDAQ-100 index call options in the same 75%/25% ratio covering approximately 100% of the value of its equity portfolio. Keep in mind that the use of an option strategy limits the appreciation potential of its portfolio. JSN's top five industry exposures, as of September 30, 2014, were: computers & peripherals (8%), internet software & services (7%), software (6%), oil, gas, & consumable fuels (6%), and pharmaceuticals (5%). In addition, although holding a total of 241 securities, JSN's single stock concentration was a little top-heavy, with the top ten holdings representing around 27% of its total assets. Finally, JSN's portfolio is heavily weighted towards large-cap companies (95% of total assets).

We believe that JSN's quarterly distribution of $0.254 per share (representing 7.6% of NAV and 8.0% of market price) should be sustainable in the foreseeable future in light of the long-term capital market assumptions of the Advisory Services Group for domestic equities.

At the time of its addition JSN traded at an 8.7% discount to NAV. As of October 20, 2014 JSN traded at a 4.4% discount to NAV.

August 14, 2014: Invesco Dynamic Credit Opportunities Fund (VTA, $11.92)

Suitability: Investment Objective: Income /Minimum Risk Tolerance: Moderate

VTA invests primarily in global senior loans (74% of total assets as of July 31, 2014) and high-yield corporate bond (17%), with the majority of the remainder allocated to structured products (5%, primarily CLOs). The five largest countries in its portfolio, as a percentage of total assets, were: the US (66%), the UK (7%), Netherlands (4%), Sweden (4%) and Luxembourg (4%). The credit quality rating breakdown of its portfolio was BB (13%), B (52%), CCC (9%), with 25% not rated (which we expect are predominantly European securities). Finally, through the use of a credit facility agreement, VTA's leverage represented 31% of its total assets.

We believe VTA's monthly distribution of $0.075 (6.7% on NAV and 7.5% on market price) should be stable in the near-term. VTA's earnings have been stable over the recent past and its distribution coverage ratio was a healthy 107% for the three months ending July 31, 2014. At the time of its addition VTA traded at an 8.8% discount to NAV. As of October 22, 2014 VTA traded at a 10.9% discount to NAV.

August 15, 2014: KKR Income Opportunities Fund (KIO, $17.61)

Suitability: Investment Objective: Income /Minimum Risk Tolerance: Moderate

KIO invests primarily in high yield corporate bonds (64% as of June 30, 2014) and senior loans (30%). Most of the issuers of such debt are below investment grade. In fact, its credit quality breakdown was BBB 1%, BB 14%, B 56%, CCC 19% and Not Rated 10%. The portfolio's top industries included media 10%, banks 8% health care providers & services 8%, construction materials 7% and food & staples retailing 7%. Geographically, most of the portfolio is exposed to US issuers (83%), but issuers in other developed countries account for the rest with the UK being the second largest country weight at 10%. Its top ten holdings represent 38% of its total assets and include Brake Brothers 5.4%, Cemex Materials 4.2%, Ally Financial 4.1%, GCI 3.8% and SquareTwo Financial 3.8%. Finally, primarily through the use of a credit facility agreement, KIO's leverage represented 29% of its total assets.

We believe that the current monthly distribution of $0.125 per share (7.9% on NAV and 8.5% on market price) is reasonable and sustainable because its distribution coverage ratio was a healthy 102% for the six months ended in April 2014.

At the time of its addition KIO traded at a 9.1% discount to NAV. As of October 22, 2014 KIO traded at a 6.1% discount to NAV.

September 17, 2014: MainStay DefinedTerm Municipal Opportunities Fund (MMD, $18.28)

Suitability: Investment Objective: Income /Minimum Risk Tolerance: Moderate

MMD invests primarily in municipal securities. As of June 30, 2014, its top state exposure as a percent of managed assets was: California (20%), Illinois (12%), Michigan (7%), Texas (6%), and Pennsylvania (5%). Its top sector exposure as a percent of managed assets was: Dedicated Tax (15%), Hospital (14%), Water/Sewer (10%), Local GO (10%), and Appropriation (10%). In addition, its credit quality breakdown was AAA (3%), AA (51%), A (19%), BBB (6%), BB (4%), B (13%), CCC and below (0.4%), and Not Rated (5%). Its leverage represented 35% of its total assets as of October 22, 2014 and its leveraged duration was 10.2 years. Finally, it is worth noting that MMD has a defined term structure and seeks to return an amount equal to its then NAV upon its expected termination on December 31, 2024.

We believe that MMD's monthly distribution of $0.097/per share (6.1% on NAV and 6.4% on market price) should be stable in the near-term. MMD's earnings have generally been increasing over the past few earnings periods and in July 2014 MMD announced a modest dividend increase. Taking into consideration the higher distribution, its distribution coverage ratio for the three months ending August 31, 2014 was a healthy 103%.

At the time of its addition MMD traded at an 8.3% discount to NAV. As of October 22, 2014 MMD traded at a 5.1% discount to NAV.

Removals

Three CEFs were removed from the Select List during the third quarter. CEFs are typically removed from the list for the following reasons: 1) valuations have become less attractive, 2) our comfort with the stability of their distribution declines, 3) they merged with or were acquired by another CEF, or 4) Wells Fargo Advisors ownership of the CEF, as a percentage of its outstanding shares, exceeds the threshold established by ASG. Note that a removal from the Select List, in and of itself, is not necessarily a recommendation on our part to liquidate the particular CEF.

Date	Ticker	Name	Rationale
9/26/2014	MSD	Morgan Stanley Emerging Markets Debt Fund Inc	Distribution
7/25/2014	CII	BlackRock Enhanced Capital and Income Fund Inc	Valuation
7/16/2014	ETO	Eaton Vance Tax-Advantaged Global Dividend Opportunities Fund	Valuation

CEF Select List

Below we have included the CEF Select List as of October 21, 2014. The section is sorted by asset class. Sources of information include Bloomberg L.P. and Wells Fargo Advisors.

Fixed Income

								Distribution		
Ticker	Name	Investment Objective	Risk Rating	Price	NAV	Discount	Date of Price & NAV	Amount	Frequency	Rate (Price)
Multi-Sector Debt										
AIF	Apollo Tactical Income Fund Inc	Income	Moderate	$17.25	$19.25	-10.4%	10/22/2014	$0.12	Monthly	8.1%
AWF	AllianceBernstein Global High Income Fund Inc	Income	Moderate	$13.50	$14.85	-9.1%	10/22/2014	$0.08	Monthly	7.2%
BHK	BlackRock Core Bond Trust	Income	Moderate	$13.45	$15.09	-10.9%	10/22/2014	$0.17	Monthly	6.7%
BIT	BlackRock Multi-Sector Income Trust	Income	Moderate	$17.63	$19.74	-10.7%	10/22/2014	$0.12	Monthly	7.9%
BLW	BlackRock Limited Duration Income Trust	Income	Moderate	$16.06	$17.68	-9.2%	10/22/2014	$0.10	Monthly	7.4%
BTZ	BlackRock Credit Allocation Income Trust	Income	Moderate	$13.48	$15.40	-12.5%	10/22/2014	$0.08	Monthly	7.2%
HYT	BlackRock Corporate High Yield Fund Inc	Income	Moderate	$11.80	$13.03	-9.4%	10/22/2014	$0.08	Monthly	7.7%
KIO	KKR Income Opportunities Fund	Income	Moderate	$17.74	$18.90	-6.1%	10/22/2014	$0.13	Monthly	8.5%
PCI	PIMCO Dynamic Credit Income Fund	Income	Moderate	$22.24	$24.21	-8.1%	10/22/2014	$0.16	Monthly	8.4%
Investment-Grade Corporate Debt										
VBF	Invesco Bond Fund	Income	Moderate	$18.51	$20.80	-11.0%	10/22/2014	$0.07	Monthly	4.6%
Preferreds										
FPF	First Trust Intermediate Duration Preferred & Income Fund	Income	Moderate	$21.63	$24.24	-10.8%	10/22/2014	$0.16	Monthly	8.7%
JPS	Nuveen Quality Preferred Income Fund II	Income	Moderate	$8.88	$9.86	-9.9%	10/22/2014	$0.06	Monthly	7.4%
JTP	Nuveen Quality Preferred Income Fund	Income	Moderate	$8.30	$9.23	-10.1%	10/22/2014	$0.05	Monthly	7.5%
LDP	Cohen & Steers Limited Duration Preferred and Income Fund	Income	Moderate	$24.34	$26.09	-6.7%	10/22/2014	$0.16	Monthly	7.7%
Bank Loans										
FRA	BlackRock Floating Rate Income Strategies Fund Inc	Income	Moderate	$13.74	$15.03	-8.6%	10/22/2014	$0.07	Monthly	5.9%
VTA	Invesco Dynamic Credit Opportunities Fund	Income	Moderate	$11.98	$13.44	-10.9%	10/22/2014	$0.08	Monthly	7.5%
High-Yield Corporate Debt										
FSD	First Trust High Income Long/Short Fund	Income	Moderate	$17.19	$19.39	-11.3%	10/22/2014	$0.11	Monthly	7.4%
GHY	Prudential Global Short Duration High Yield Fund Inc	Income	Moderate	$16.41	$17.95	-8.6%	10/22/2014	$0.13	Monthly	9.1%
HYI	Western Asset High Yield Defined Opportunity Fund Inc	Income	Moderate	$16.56	$18.68	-11.3%	10/22/2014	$0.11	Monthly	8.0%
ISD	Prudential Short Duration High Yield Fund Inc	Income	Moderate	$16.67	$18.18	-8.3%	10/22/2014	$0.12	Monthly	8.8%
MHY	Western Asset Managed High Income Fund Inc	Income	Moderate	$5.49	$6.06	-9.4%	10/22/2014	$0.03	Monthly	7.5%
Build America Bonds										
BBN	BlackRock Build America Bond Trust	Income	Moderate	$21.37	$23.42	-8.8%	10/22/2014	$0.13	Monthly	7.4%
GBAB	Guggenheim Build America Bonds Managed Duration Trust	Income	Moderate	$21.52	$23.57	-8.7%	10/22/2014	$0.14	Monthly	7.7%
Municipal Bonds (Tax Free)										
EIM	Eaton Vance Municipal Bond Fund	Income	Moderate	$12.80	$14.10	-9.2%	10/22/2014	$0.06	Monthly	6.0%
EOT	Eaton Vance National Municipal Opportunities Trust	Income	Moderate	$20.16	$22.79	-11.5%	10/22/2014	$0.09	Monthly	5.1%
MFL	BlackRock MuniHoldings Investment Quality Fund	Income	Moderate	$14.04	$15.62	-10.1%	10/22/2014	$0.07	Monthly	6.1%
MFM	MFS Municipal Income Trust	Income	Moderate	$6.58	$7.34	-10.4%	10/22/2014	$0.03	Monthly	6.0%
MMD	MainStay DefinedTerm Municipal Opportunities Fund	Income	Moderate	$18.34	$19.33	-5.1%	10/22/2014	$0.10	Monthly	6.4%
MMU	Western Asset Managed Municipals Fund Inc	Income	Moderate	$13.14	$14.10	-6.8%	10/22/2014	$0.07	Monthly	5.9%
NID	Nuveen Intermediate Duration Municipal Term Fund	Income	Moderate	$12.52	$13.88	-9.8%	10/22/2014	$0.06	Monthly	5.5%
NVG	Nuveen Dividend Advantage Municipal Income Fund	Income	Moderate	$14.18	$16.29	-13.0%	10/22/2014	$0.06	Monthly	5.2%
NXZ	Nuveen Dividend Advantage Municipal Fund 2	Income	Moderate	$14.08	$15.85	-11.1%	10/22/2014	$0.07	Monthly	6.1%
VMO	Invesco Municipal Opportunity Trust	Income	Moderate	$12.80	$14.16	-9.6%	10/22/2014	$0.07	Monthly	6.2%

Equity

Ticker	Name	Investment Objective	Risk Rating	Price	NAV	Discount	Date of Price & NAV	Distribution Amount	Distribution Frequency	Distribution Rate (Price)
Global/International - Covered Call										
BGY	BlackRock International Growth and Income Trust	Growth & Income	Moderate	$7.07	$7.70	-8.2%	10/22/2014	$0.06	Monthly	9.5%
BOE	BlackRock Global Opportunities Equity Trust	Growth & Income	Moderate	$13.53	$15.06	-10.2%	10/22/2014	$0.10	Monthly	9.2%
Global										
AOD	Alpine Total Dynamic Dividend Fund	Growth & Income	Moderate	$8.34	$9.51	-12.3%	10/22/2014	$0.06	Monthly	8.1%
EVT	Eaton Vance Tax-Advantaged Dividend Income Fund	Growth & Income	Moderate	$19.80	$21.79	-9.1%	10/22/2014	$0.12	Monthly	7.0%
JTD	Nuveen Tax-Advantaged Dividend Growth Fund	Growth & Income	Moderate	$15.18	$16.72	-9.2%	10/22/2014	$0.31	Quarter	8.1%
Domestic - Covered Call										
BDJ	BlackRock Enhanced Equity Dividend Trust	Growth & Income	Moderate	$8.08	$8.83	-8.5%	10/22/2014	$0.05	Monthly	6.9%
JPZ	Nuveen Equity Premium Income Fund	Growth & Income	Moderate	$12.67	$13.53	-6.4%	10/22/2014	$0.25	Quarter	7.9%
JSN	Nuveen Equity Premium Opportunity Fund	Growth & Income	Moderate	$12.72	$13.30	-4.4%	10/22/2014	$0.25	Quarter	8.0%
Domestic										
GDV	Gabelli Dividend & Income Trust/The	Growth & Income	Moderate	$20.48	$22.30	-8.2%	10/22/2014	$0.10	Monthly	5.9%
HTD	John Hancock Tax-Advantaged Dividend Income Fund	Growth & Income	Moderate	$20.89	$23.25	-10.2%	10/22/2014	$0.12	Monthly	7.0%
RMT	Royce Micro-Cap Trust Inc	Growth & Income	Moderate	$11.45	$12.66	-9.6%	10/22/2014	$0.14	Quarter	8.4%
RVT	Royce Value Trust Inc	Growth & Income	Moderate	$14.46	$16.10	-10.2%	10/22/2014	$0.32	Quarter	8.9%
SOR	Source Capital Inc	Growth & Income	Moderate	$66.11	$73.12	-9.6%	10/22/2014	$0.80	Quarter	4.8%
USA	Liberty All Star Equity Fund	Growth & Income	Moderate	$5.67	$6.43	-11.8%	10/22/2014	$0.09	Quarter	6.3%
Utilities & Infrastructure										
DPG	Duff & Phelps Global Utility Income Fund Inc	Growth & Income	Moderate	$20.93	$23.67	-11.6%	10/22/2014	$0.35	Quarter	6.7%
INF	Brookfield Global Listed Infrastructure Income Fund Inc	Growth & Income	Moderate	$23.07	$25.07	-8.0%	10/22/2014	$0.12	Monthly	6.1%
UTF	Cohen & Steers Infrastructure Fund Inc	Growth & Income	Moderate	$23.29	$25.86	-9.9%	10/22/2014	$0.37	Quarter	6.4%
Real Estate										
IGR	CBRE Clarion Global Real Estate Income Fund	Growth & Income	Moderate	$8.51	$9.75	-12.7%	10/22/2014	$0.05	Monthly	6.3%
NRO	Neuberger Berman Real Estate Securities Income Fund Inc	Growth & Income	Moderate	$5.07	$5.99	-15.4%	10/22/2014	$0.03	Monthly	7.1%
RQI	Cohen & Steers Quality Income Realty Fund Inc	Growth & Income	Moderate	$11.21	$12.65	-11.4%	10/22/2014	$0.19	Quarter	6.8%
Energy MLPs - RIC										
FIF	First Trust Energy Infrastructure Fund	Growth & Income	Moderate	$24.05	$26.50	-9.2%	10/22/2014	$1.43	Monthly	5.5%
KMF	Kayne Anderson Midstream/Energy Fund Inc	Growth & Income	Moderate	$35.81	$39.50	-9.3%	10/16/2014	$0.49	Quarter	5.4%
Energy MLPs - C Corp										
CEM	ClearBridge Energy MLP Fund Inc	Growth & Income	Moderate	$26.82	$29.60	-9.4%	10/22/2014	$0.41	Quarter	6.1%
CTR	ClearBridge Energy MLP Total Return Fund Inc	Growth & Income	Moderate	$22.01	$24.97	-11.9%	10/22/2014	$0.34	Quarter	6.1%

Multi-Asset

Ticker	Name	Investment Objective	Risk Rating	Price	NAV	Discount	Date of Price & NAV	Distribution Amount	Distribution Frequency	Distribution Rate (Price)
DEX	Delaware Enhanced Global Dividend & Income Fund	Growth & Income	Moderate	$11.64	$13.01	-10.5%	10/22/2014	$0.08	Monthly	7.7%
JGV	Nuveen Global Equity Income Fund	Growth & Income	Moderate	$12.86	$14.30	-10.1%	10/22/2014	$0.27	Quarter	8.2%
JRI	Nuveen Real Asset Income and Growth Fund	Growth & Income	Moderate	$19.50	$20.83	-6.4%	10/22/2014	$0.13	Monthly	8.3%
NHF	NexPoint Credit Strategies Fund	Growth & Income	Moderate	$10.48	$12.34	-15.1%	10/22/2014	$0.06	Monthly	6.9%
PDT	John Hancock Premium Dividend Fund	Growth & Income	Moderate	$13.36	$15.08	-11.4%	10/22/2014	$0.09	Monthly	8.1%
RNP	Cohen & Steers REIT and Preferred Income Fund Inc	Growth & Income	Moderate	$18.39	$20.74	-11.3%	10/22/2014	$0.33	Quarter	7.2%
SCD	LMP Capital and Income Fund Inc	Growth & Income	Moderate	$16.26	$18.19	-10.6%	10/22/2014	$0.28	Quarter	6.9%

The sources of closed-end fund distributions can include portfolio income, capital gains/losses, and/or return of capital. The final determination of tax characteristics of each CEF's distributions will occur after the end of the year, at which time it will be reported to the shareholders.

Annualized Total Returns (%) as of 09/30/2014

	1 Year		3 Years		5 Years		Since Inception		Assets ($ mil)	Inception Date	Gross Expense Ratio
	Price	NAV	Price	NAV	Price	NAV	Price	NAV			
AIF	12.32	9.19					-1.94	8.01	282	2/26/2013	2.58%
AOD	14.50	10.77	9.57	12.33	-2.59	5.41	-5.86	6.00	1,049	1/26/2007	1.19%
AWF	0.23	8.48	12.10	12.98	11.43	11.83	11.58	11.86	1,284	7/28/1993	0.98%
BBN	20.94	20.35	9.19	8.23			8.97	12.40	1,345	8/27/2010	1.13%
BDJ	15.57	12.47	13.77	14.93	8.23	11.38	3.26	4.52	1,621	8/26/2005	0.87%
BGH	10.03	8.09					3.89	10.39	494	10/26/2012	2.06%
BGY	4.80	-0.60	9.50	9.91	2.42	4.84	-0.77	0.14	876	5/25/2007	1.09%
BHK	10.13	12.21	7.76	8.35	8.63	9.75	6.87	7.68	408	11/30/2001	1.03%
BIT	15.22	16.81					0.00	9.96	768	2/26/2013	1.67%
BLW	2.37	7.48	8.59	11.14	10.14	10.26	6.17	8.00	659	7/28/2003	1.12%
BOE	9.00	4.08	10.65	12.40	5.20	6.88	4.92	6.18	1,067	5/26/2005	1.08%
BTZ	9.77	11.00	12.95	11.39	11.35	11.51	1.16	2.54	1,668	12/27/2006	1.15%
CEM	10.94	24.76	19.79	23.20			14.60	19.37	2,079	6/25/2010	2.21%
CII	23.03	11.51	18.05	15.74	11.28	11.65	7.73	7.64	668	4/27/2004	0.93%
CTR	11.94	23.24					12.99	22.09	975	6/27/2012	2.19%
DEX	8.69	9.24	12.91	15.90	11.31	11.74	3.56	4.84	208	6/29/2007	1.88%
DPG	21.86	22.15	14.48	17.38			-3.58	15.43	897	7/29/2011	1.92%
EIM	15.46	20.30	6.84	9.82	5.91	8.02	5.37	6.52	958	8/30/2002	1.62%
EOT	11.84	14.02	5.64	7.93	6.02	6.18	5.83	8.88	345	5/27/2009	0.90%
ETO	20.33	16.07	24.56	21.21	14.63	13.43	10.40	10.73	374	4/30/2004	1.60%
EVT	19.94	19.57	22.30	21.21	14.76	14.43	8.01	8.63	1,604	9/30/2003	1.49%
FIF	27.19	29.04	17.14	23.24			17.08	23.16	464	9/27/2011	1.84%
FPF	12.26	15.85					-2.05	9.61	1,473	5/24/2013	1.53%
FRA	0.81	4.60	10.29	9.48	8.64	8.96	4.35	5.11	566	10/31/2003	1.54%
FSD	5.02	8.33	10.92	13.93			4.10	8.23	699	9/28/2010	1.72%
GBAB	15.04	15.03	9.96	8.98			9.09	12.50	411	10/27/2010	1.35%
GDV	18.95	15.15	24.73	23.03	19.12	16.17	8.17	8.63	1,878	11/28/2003	1.07%
GHY	3.10	4.32					-3.11	4.26	739	12/21/2012	1.40%
HTD	26.93	22.07	17.16	17.32	19.38	18.99	9.02	9.54	847	2/27/2004	1.59%
HYI	0.84	5.85	9.44	12.90			4.15	8.53	430	10/27/2010	0.88%
HYT	9.52	9.79	13.30	15.13	13.23	13.94	8.91	9.44	1,658	5/30/2003	1.54%
IGR	10.41	9.35	15.18	13.80	12.73	12.74	4.64	5.38	1,103	2/18/2004	1.07%
INF	28.38	24.39	24.78	25.12			14.01	20.02	267	8/26/2011	2.01%
ISD	1.76	4.35					0.87	6.02	607	4/26/2012	1.52%
JGV	11.16	8.87	1.06	3.67	2.91	3.93	3.80	5.25	278	7/24/2006	1.16%
JPS	15.27	16.18	12.99	14.89	12.29	14.40	4.68	5.74	1,193	9/24/2002	1.71%
JPZ	14.34	10.20	15.63	13.21	10.45	10.64	5.14	5.79	524	10/26/2004	0.96%
JRI	23.83	20.22					12.36	16.81	203	4/26/2012	1.95%
JSN	14.66	10.02	15.18	12.77	10.26	10.16	5.32	5.88	893	1/26/2005	0.95%
JTD	14.13	14.16	20.15	20.03	16.43	14.85	5.62	6.71	244	6/26/2007	2.00%
JTP	17.11	16.23	10.76	14.47	12.40	14.53	3.83	4.88	600	6/25/2002	1.75%
KIO	9.01	8.44					-4.03	7.58	292	7/26/2013	2.32%
KMF	31.95	34.39	30.71	33.26			19.38	23.99	955	11/24/2010	3.90%

Source: Morningstar, Inc; Performance as of 09/30/2014; Assets as of 09/30/2014

Returns are average annualized total returns, except those for periods of less than one year, which are cumulative.

Annualized Total Returns (%) as of 09/30/2014

	1 Year		3 Years		5 Years		Since Inception		Assets ($ mil)	Inception Date	Gross Expense Ratio
	Price	NAV	Price	NAV	Price	NAV	Price	NAV			
LDP	19.28	15.38					6.74	12.43	762	7/27/2012	1.62%
MFL	13.09	18.99	6.24	8.89	7.88	7.97	6.07	6.38	590	9/26/1997	1.71%
MFM	9.00	15.82	5.75	9.85	7.02	9.13	3.98	6.09	301	11/25/1986	1.73%
MHY	4.75	6.37	7.33	11.19	7.11	10.85	6.29	6.34	288	3/26/1993	0.93%
MMD	21.74	22.80					2.39	7.57	531	6/27/2012	1.67%
MMU	12.44	16.71	5.95	8.60	7.17	7.54	5.84	6.83	602	6/26/1992	0.92%
MSD	6.08	6.86	6.88	6.31	7.82	6.86	10.14	10.48	258	7/23/1993	1.21%
NHF	47.80	48.68	27.95	29.48	19.28	20.58	2.24	4.34	789	6/29/2006	2.82%
NID	14.98	14.21					-4.60	2.70	650	12/6/2012	1.28%
NML	23.40	23.00					11.63	17.89	1,211	3/26/2013	1.43%
NRO	12.22	12.93	17.10	17.99	17.48	19.07	1.43	2.24	320	10/31/2003	2.10%
NVG	17.76	16.80	5.47	7.69	5.87	6.84	5.73	6.82	481	3/25/2002	2.03%
NXZ	14.28	14.75	6.23	8.57	6.22	7.49	6.15	7.21	464	3/28/2001	1.53%
PCI	11.44	11.99					2.39	10.19	3,378	1/29/2013	1.52%
PDT	21.93	19.56	11.85	14.14	14.95	16.60	7.37	7.69	738	12/21/1989	1.77%
RMT	15.25	5.85	25.44	21.45	16.78	14.13	10.57	10.56	389	12/14/1993	1.11%
RNP	21.25	18.33	19.11	20.11	20.81	19.10	7.97	8.43	951	6/27/2003	1.82%
RVT	5.14	1.42	19.73	17.90	13.95	12.13	9.32	10.40	1,168	11/19/1986	0.79%
SCD	21.61	20.16	22.86	22.66	19.76	16.52	6.90	7.27	326	2/24/2004	1.41%
SOR	9.65	9.99	22.81	22.33	15.55	14.38	6.50	6.71	621	10/24/1968	0.84%
USA	15.37	14.10	20.36	20.33	14.27	12.10	10.27	7.96	1,154	10/31/1986	1.05%
UTF	25.28	24.60	22.98	24.07	19.58	18.78	10.07	10.84	2,205	3/30/2004	2.23%
VMO	13.49	15.80	3.83	8.30	5.47	7.78	6.39	6.48	952	4/24/1992	1.80%
VTA	3.04	9.40	12.97	12.86	10.00	10.54	2.57	3.85	1,011	6/26/2007	2.25%

Source: Morningstar, Inc; Performance as of 09/30/2014; Assets as of 09/30/2014

Returns are average annualized total returns, except those for periods of less than one year, which are cumulative.

Disclaimers

Closed-End Funds (CEFs) are actively managed and can employ a number of investment strategies in pursuit of the fund's objectives. Some strategies may increase the overall risk of the fund and there is no assurance that any investment strategy will be successful or that the fund will achieve its intended objective. A CEF has both a market price and net asset value (NAV), and these two values and their respective performances may differ. Changes in investor demand for a particular fund may cause the fund to trade at a price that is greater (lower) than it's NAV, creating a share price premium (discount) to its NAV. CEFs are subject to different risks, volatility, fees and expenses. Many CEFs can leverage their assets to enhance yields. Leverage is a speculative technique that exposes a portfolio to increased risk of loss, may cause fluctuations in the market value of the fund's portfolio which could have a disproportionately large effect on the fund's NAV or cause the NAV of the fund generally to decline faster than it would otherwise. The use of leverage and other risk factors are more fully described in each closed-end fund's prospectus under the heading "Risks."

The sources of closed-end fund distributions can include portfolio income, capital gains/losses, and/or return of capital. The final determination of tax characteristics of each CEF's distributions will occur after the end of the year, at which time it will be reported to the shareholders.

Exchange-Traded Funds are subject to risks similar to those of stocks. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed, or sold, may be worth more or less than their original cost.

Build America Bonds are taxable municipal bonds created under the American Recovery and Reinvestment Act of 2009 that provide federal subsidies to the issuer for a portion of the borrowing costs. These municipal bonds are backed by the issuing municipality and are not obligations of the U.S. government. BABs are subject to federal taxes but may be exempt from state and local taxes. As with all bonds, BABs are subject to interest rate, credit and market risks.

Arbitrage strategies expose a fund to the risk that the anticipated arbitrage opportunities will not develop as anticipated, resulting in potentially reduced returns or losses to the fund. They involve buying securities on one market for immediate resale on another market in order to profit from a price discrepancy. Such strategies entail the use of short selling. Short selling involves the risk of potentially unlimited increase in the market value of the security sold short, which could result in potentially unlimited loss for the fund. In addition, taking short positions in securities is a form of leverage which may cause a portfolio to be more volatile.

Duration is a measure used to determine a bond/s or bond portfolio's sensitivity to movements in interest rates. Generally, the longer the duration the more sensitive a bond or bond portfolio is to changes in interest rates.

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GOLD SHOWS RESILIENCE SUPPORTED BY STRONG PHYSICAL DEMAND

November 17, 2014

Authored by:
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Director - Research
Nicholas Brooks
Head of Research & Investment Strategy

Gold shrugged off new record high US equity prices, the strong US dollar and lower crude oil prices last week. Indicating strong physical demand, last week forward gold leasing rates (GOFO rates) dipped to the deepest negative level, for one and two months, since the beginning of the millennium (chart below). While gold futures short interest on the COMEX remained elevated, silver non-commercial shorts sustained near the greatest number of futures contracts ever at 47,000. For the month of November, gold is the only precious to show a gain (+0.4% London PM) despite approximately 1% respective gains in the S&P 500 and the US dollar index and the 5.6% decline in crude oil. The prospects for a rally in silver and gold are increasing. A stumble in the US equity market and/or economic growth expectations could be a catalyst. We remain favourable to all the precious metals, notably due to their favourable supply/demand trends and proximity at or below their marginal costs of production. But in the shorter-term, given the re-elevated equity markets despite increasing deflationary signals from most other markets(chart page 2), gold and silver are quite attractive at current levels potentially to hedge some equity mean reversion risk.

Precious Metal Prices[1]

USD/oz	Gold	Silver	Plat.	Pall.
Level	1,169.0	15.4	1,178.0	760.0
Change				
-1 Week	1.3%	-0.5%	-1.7%	-0.4%
-1 Month	-5.3%	-12.3%	-7.1%	-4.2%
-3 Months	-11.2%	-23.6%	-20.0%	-13.9%
YTD	-2.9%	-21.3%	-13.2%	6.1%
-12 Months	-9.0%	-26.1%	-18.8%	3.0%

[1] Based on Nov. 14, 2014 London fixing price.
Source: ETF Securities, Bloomberg.

Another curve ball for Indian gold demand.

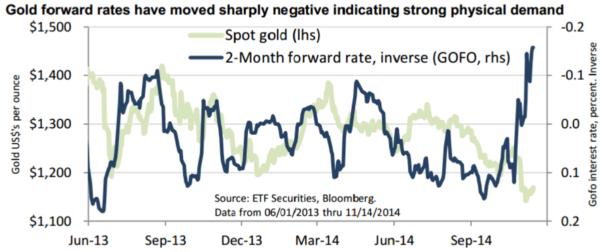
After loosening some of the restrictions on gold imports in May, the Indian government may re-tighten amid a strong resurgence in gold import demand. The Finance Ministry and central bank met last week to discuss without a decision, agreeing to reconvene soon. We believe the short-term impact of the discussions will be for consumers to increase purchases before any re-tightening. Historically, tighter restrictions have led to the price of gold being substantially higher in India than elsewhere. Higher premiums that could follow a potential tightening of restrictions will however dampen demand going forward, reducing come of the support for the gold price in 2015.

Swiss referendum – a potential catalyst for gains. The potential passage of the Swiss gold referendum at the end of the month was once thought of as a tail-risk. However, with polls indicating 38% of the Swiss population in favour of the central bank holding 20% of its assets in gold, that risk is rising. Should the proposal pass, the central bank would need to increase its current holdings of gold from 8% to 20% over the space of 5 years, which would lend support to the gold market.

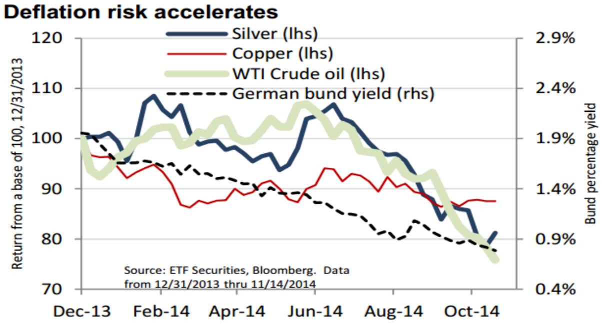
Silver, US$10/oz. or US$20/oz. next?

Silver has been the worst performing major metal for two years running. Silver shorts are currently near the highest ever (net COMEX non-commercial shorts, see chart on page 2). We estimate the marginal cost of production for silver near US$15.5/oz. and most analysts estimate the all-in cost of production near US$20/oz. The low futures price from the week before last was US$15.0/oz. on the COMEX which was the lowest since 2010. Despite strong investment demand, notably in coins and ETF's, silver has suffered along with many other industrial commodities like crude oil and copper. Often called the "devils metal" for its extreme volatility, silver appears more likely to quickly revisit US$20/oz. rather than continue a potential slower pace decline towards US$10/oz.

Gold forward rates have moved sharply negative indicating strong physical demand



Deflation risk accelerates



Japanese Equities Look Better and Better

November 4, 2014

Authored by:

Nick Niziolek
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As we've discussed in recent posts, our investment process marries fundamental research with the identification of long-term secular growth themes, such as those related to demographics and consumption. Based on an intersection of bottom-up and top-down criteria, we've become increasingly constructive on Japan's equity market over recent months. We anticipated that the Bank of Japan (BOJ) would provide additional accommodative monetary policy and that Japan's Government Pension Investment Fund (GPIF) would continue to increase allocations to local equities.

So, we're well positioned in light of recent announcements from the BOJ and GPIF. Last week, the BOJ made a surprise announcement that it would increase its monetary target by ¥80 trillion and also purchase stock assets. Previously, the central bank said it planned to increase Japan's monetary base by ¥60-70 trillion yen annually.

Also significant was the BOJ's statement that it would consider buying exchange traded funds that track the Nikkei 400 Index. Introduced in January, the index includes companies that meet certain standards of profitability, including higher return on equity (ROE), as well as shareholder-friendly corporate governance policies.

Prime Minister Shinzo Abe's government has spotlighted the index as a key part of its structural reforms. And by putting its own stamp of endorsement on the index, the BOJ is tacitly moving into economic areas well beyond traditional monetary policy, while also demonstrating its alignment with Prime Minister Abe's initiatives. A company that generates strong free cash flow but decides to sit on its cash will see a negative impact to ROE and risk not being incorporated in this now-important index. This should promote higher dividends, buybacks, and/or capex spending—all positive for equity markets and potentially for Japan's economy as well.

Additionally, last week, Japan's Government Pension Investment Fund (GPIF) announced a new target asset mix last week. GPIF manages the pension assets for Japanese public sector employees. As one of the largest pension funds in the world, shifts in its allocation can have a meaningful impact on the markets. There were several positives in the announcement, including:

- **The allocation to Japanese stocks has risen to 25% from 12%** (with a permissible range of deviation of nine percentage points). To accommodate this increase to local equities, the allocation to bonds has dropped from 60% to 35% (permissible deviation of 10 percentage points).
- **The allocation to non-Japanese equities has also doubled, which we believe can provide a boost to the global equity markets.**
- **The benchmark for the international (non-Japan) stock portion of the GPIF has changed from the MSCI World ex-Japan Index to the MSCI All Country World Index ex-Japan**. As a result, the benefits of the increased international allocation target may be especially pronounced for emerging market assets because the new index incorporates emerging markets, while the previous one did not.

Current valuations are reasonable, and we see additional room for P/E expansion. The one-year forward P/E of the Japanese equity market, as measured by the Topix 400 Index, is currently at 15x. While this is higher than the 12x level of October 2012, it is far less than the 20x multiple reached in April of 2013. As GPIF implements these new targets (which may take a period of years), we expect that it will take advantage of price weakness, providing added support to the global equity markets.

We've been building our allocations through new purchases and by increasing allocations to existing holdings. We're favoring export-oriented companies and companies that are positioned to benefit from asset reflation. We're still relatively more cautious on companies tied to the Japanese consumer, given the headwinds of a weaker yen and increasing taxes. The prospects of these stocks would be more compelling if the government postpones the next value-added-tax increase or if valuations come down some more, but last week's announcements by the BOJ and GPIF likely increases the chance the VAT proceeds as previously expected.

As we have added to our Japanese equity allocations, we have maintained our focus on risk management. For example, we're closely monitoring our yen exposure to ensure it does not exceed the levels with which we are comfortable.

Indexes are unmanaged, not available for direct investment and do not include fees or expenses. The Topix 400 Index is a capitalization weighted index of 400 mid-cap Japanese equities. The Nikkei 400 Index includes 400 Japanese stocks issued by companies with certain growth attributes, such as return on equity and operating profit. The MSCI World ex-Japan Index is representative of the performance of developed market equities, excluding Japan. The MSCI All Country World Index ex-Japan is a measure of developed market equities, excluding Japan, and emerging market equities. Return on equity is equal to a company's net income divided by shareholder's equity. Forward price-to-earnings ratio (P/E) is market price per share divided by expected earnings per share.

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Senior Loan & High Yield Review – 3rd Quarter 2014

October 13, 2014

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Market Review

For the first time in quite a while, a healthy dose of volatility was introduced into various markets of risk assets, including equities, senior loans and high-yield bonds. The volatility was driven largely by geopolitical headlines, including Russia/Ukraine, Gaza, Banco Espirito Santo bailout, Argentine default, etc. As a result, risk sentiment reversed course, and investors became more defensive in the quarter. Moreover, importantly for fixed income investors, with the Federal Reserve's (the "Fed") unprecedented stimulus program approaching the finish line, investor attention began to shift towards 2015 and the timing of the first interest rate increase. The Federal Reserve bond buying program will be reduced to just $15 billion per-month in October, from a peak of $85 billion per month, and is widely expected to conclude at their next meeting at the end of October. On August 28, the 10-year Treasury bond yield reached a one-year low, closing a 2.34%, well below the 3.03% at the start of the year. Rates have indeed been volatile, as evidenced by the fact that by mid-September, the 10-year Treasury yield moved above 2.60%.

We note that must of the credit market volatility in the third quarter, whether senior loan or high-yield bond related, has been technically induced, simply meaning that there have been more sellers than buyers given the sudden shift in risk sentiment. This technical selling pressure, when coupled with low corporate default rates for senior loan and high-yield bond issuers and stable/improving corporate profits, suggests that this is merely a healthy dose of volatility which should lead to opportunities for patient investors.

The senior loan and high-yield market had several notable events in the quarter that we'll touch on here:

- Asset flows for senior loan and high-yield retail fund (mutual funds and exchange traded funds) were negative for the quarter while institutional demand, driven by Collateralized Loan Obligation (CLO) issuance, remains strong
- Leverage levels remain in-line with long-term averages, despite two years of strong new issuance
- Covenant lite transactions, today's norm, are given scrutiny by the press

During the third quarter, the leveraged finance asset classes had outflows of $9.4 billion from retail loan funds and outflows of $18.2 billion from high-yield bond funds. Not surprisingly, given the outflows, nearly all of the S&P/LSTA Leveraged Loan Index is now trading below par and the average price in the high-yield market was $101.68 at the end of September, down from a near-term high of $105.72 at the end of June.Offsetting some of the retail outflows on the senior loan side of the ledger was a strong showing by institutional investors. In the quarter, managers issued $32.4 billion of new CLOs and we expect the demand trend to continue throughout the end of 2014. CLO's are investment vehicles that purchase senior loans and are structured to largely cater to institutional investors. In high-yield, the first week of August was the largest weekly outflow on record from retail high-yield funds at $7.1 billion.

Shifting to corporate fundamentals, balance sheet leverage levels across senior loan and high-yield issuers are largely in-line with historical averages (6x total leverage as of Q2 vs 6x long-term average, according to S&P/LCD). For several quarters now, corporate health has remained strong. Corporate earnings for senior loan issuers have grown for 20 consecutive quarters and interest coverage levels are as high as they've ever been (according to S&P/LCD).

While fundamentals remain sound, over the course of the past year, we have begun to witness signs of slippage in the structures of new transactions. More than 60% of the S&P/LSTA Leveraged Loan Index is without financial maintenance covenants, known as "covenant lite", and nearly 70% of the new deals this year have come without financial maintenance covenants. Financial maintenance covenants require the company that is borrowing money (in the form of issuing debt) to comply with certain financial ratios or tests on an ongoing basis. While structural enhancements such as covenants are important, they are less important than factors such as cash flow stability and asset value to a lender. While financial maintenance covenants do not repay lenders in the event of default, cash flow and asset value are paramount in ensuring the repayment of debt in a timely manner. Covenant lite deals have become increasingly popular and while we'd prefer to have financial maintenance covenants in all the transactions that we enter into, the reality is that a lack of those financial maintenance covenants aren't likely to be the cause of corporate defaults or the reason for losses in the future. A financial maintenance covenant is merely an option that moves into the money as the financial performance of a company deteriorates, which can thereby behave as a price stabilizer. As a result, a senior loan market with a dearth of financial maintenance covenants can be expected to display more volatility than a market whereby all of the transactions have financial maintenance covenants. In fact, during the last recession, covenant lite loans that defaulted had recovery rates commensurate with covenanted loans. The difference was that covenant lite loans experienced greater volatility in trading prices.

Outlook

Our outlook for the credit markets remains positive. We believe the combination of a modest default environment, better economic growth and sound corporate fundamentals provides a firm backdrop for returns in the periods ahead. We continue to believe that steadily improving economic data will give the Fed the motivation they require to complete the Quantitative Easing (QE) program during the 4th quarter and begin the process of raising interest rates in the summer of 2015.In the interim, recent volatility in the market has largely been technically induced. This is in stark contrast to volatility that is fundamentally induced, when company financial performance is showing signs of weakness. We believe that technically induced volatility, which we have experienced in the third quarter, tends to lead to opportunities for patient investors. A healthy dose of volatility typically means that risks are priced more attractively, and price levels may be lower than the fundamentals would warrant.

While we have been concerned with high-yield bond valuations for some time, particularly as yields fell below 5% at the end of the second quarter, the recent volatility has left high-yield bonds at much more attractive levels, yielding over 6%. In our view, high-yield bonds could experience volatility as interest rates move higher, which we believe will occur in 2015. However, the recent softening of prices and hence higher yields and wider spreads over Treasuries within high-yield bonds suggest that there will be a greater ability to absorb such volatility, and that high-yield bonds are well positioned for the remainder of the year and into early 2015.

We continue to believe that the primary hurdle facing the senior loan market will be the strong demand for the asset class. While retail investors have shunned the asset class this year, institutional investors have embraced senior loans. We believe that with the end of QE squarely in our sights, the next focus will be on the timing of a potential increase in the Federal Funds rate. This will likely lead to greater retail demand for senior loans, as the threat of rising interest rates becomes imminent, and investors begin to seek shelter. Based on current valuations, we believe senior loans, given their senior secured position in the capital structure and floating interest rate, are well positioned.

As we evaluate new investment opportunities, decisions will continue to be rooted in our rigorous bottom-up credit analysis and focus on the opportunities that we believe offer the best risk and reward balance. Despite the many distractions that ebb and flow every quarter, we remain firmly focused on finding value in the high-yield bond and senior loan markets.

Indexes are unmanaged and an investor cannot invest directly in an index.
All opinions constitute judgements as of the date of release and are subject to change without notice.There can be no assurance that any forecasts will be achieved.
Data is taken from sources we believe to be accurate and reliable but we do not guarantee its accuracy or completeness.
Senior floating rate loans are usually rated below investment grade but may also be unrated.As a result,the risks associated with these loans are similar to the risks of high-yield fixed income instruments.High-yield securities tend to be less liquid than higher-quality debt and are subject to greater market fluctuations and risk of loss than securities with higher ratings.

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When Interest Rates Rise

October 2014

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Executive Summary

What will happen to preferreds when interest rates rise? We think 2013 was very informative. As the year progressed, Federal Reserve (the Fed) officials began to talk of tapering bond purchases. Fixed income markets reacted negatively, with the 10-year U.S. Treasury benchmark vaulting from 1.65% in late April to 3.0% by the year end.

Looking at preferred securities returns, it was a “tale of two markets,” as an index that captures investment-grade exchange-listed securities returned -3.7%, while a similar index for OTC securities posted a positive total return of 4.9%, or about 860 basis points higher.

What caused this gaping difference? Structure was perhaps the biggest driver, as most OTC issues are simply built to be far less rate sensitive. The OTC index is dominated by fixed-to-float securities. Instead of a coupon that is fixed in perpetuity, these issues offer a period of fixed payments followed by a period of floating rate payments. Interest rate risk is not obviated by this structure, but it can be materially reduced.

What other characteristics can make preferreds defensive? Income is another form of defense against rates, and preferreds continue to generate the highest income within the investment-grade fixed-income universe. In fact, investment-grade preferreds currently offer almost double the income provided by investment-grade corporate bonds of similar duration. Importantly, since total return is a combination of income and price return, the significant income advantage of preferreds provides a cushion that enhances returns and dampens total return volatility over time.

Credit spreads can also act as a shock absorber to rising Treasury yields, making preferreds’ abnormally wide credit spreads an important line of defense against rising interest rates. We observed this trend in 2013, when credit spread contraction helped preferreds generally outperform corporates, Treasuries and other areas of fixed income. While spreads contracted for most issues, below-investment-grade issues with wide spreads generally fared best due to more significant spread contraction. Given the rapidly improving fundamentals of the financial issuers that dominate the preferred market, we see good scope for further spread compression ahead.

As professional managers who invest globally, we can also alter portfolio rate risk by investing in preferreds denominated in foreign currencies. These will react to the rate environment governing the foreign currencies rather than to factors influencing U.S. Treasuries. In this regard, we point to Europe, where, due to much slower growth, the European Central Bank will be embarking upon quantitative easing measures even as the U.S. exits that form of stimulus.

In sum, the factors above do not fully mitigate the risk of rising rates. However, along with active management, we believe they can help to protect investors.

Preferreds and Rising Interest Rates – A Look at Outperformance in 2013

Taken as a whole, including both OTC and exchange-traded market components, preferred securities generally outperformed other fixed income assets in 2013, as shown in Exhibit 1 below. Important drivers of this performance were high income, wide credit spreads and lower duration security structures. This report explores each of these drivers in more detail and drills down on preferred market segments to better understand sources of performance.

Highlighted in Exhibit 1 is the importance of income to total returns. The income advantage of preferred securities is one reason why the asset class has historically delivered more consistent returns over time than many other fixed-income investments. It is important to remember that price change, by itself, ignores the potential income and reinvestment that could buoy total return over time. To illustrate, in 2013, investment-grade preferreds as a whole offered 6.2% income, which was substantially more than that of investment-grade corporate bonds. So while prices of the blended investment-grade preferred index declined 5.6%, the addition of 6.2% annualized income resulted in a positive total return of 0.6% for the investment grade preferred market. An environment of rising interest rates (or yields) could cause the prices of

Exhibit 1: Preferred Securities Performance vs. Other Investment-Grade Fixed Income Classes in 2013

At December 31, 2013. Source: Cohen & Steers, BofA Merrill Lynch.

Performance data quoted represents past performance. Past performance is no guarantee of future results.

(a) 50/50 blend of BofA Merrill Lynch Capital Securities Index and BofA Merrill Lynch Fixed Rate Preferred Securities Index. (b) BofA Merrill Lynch Corporate Master Index. (c) BofA Merrill Lynch Municipal Master Index. (d) BofA Merrill Lynch U.S. Inflation-Linked Treasury Index. See page 11 for index definitions and additional disclosure.

existing investments to drop, but the loss would be at least partially offset over time through coupon payments and higher-yielding reinvestment opportunities.

Since the financial crisis, we have observed that preferred securities have become much more credit sensitive. One reason is that the asset class is heavily dominated by financial issuers—particularly banks and insurance companies—which receive beneficial regulatory capital treatment from issuing preferred securities. As highlighted in the chart below, the credit spreads of these issues, which widened materially during the financial crisis, have remained disproportionately wide relative to historical pre-crisis levels, despite drastic fundamental credit improvements spurred largely by far stricter regulatory requirements that improve capital and reduce operating risks. Today, the credit compensation over 10-year Treasuries remains wide, at 320 basis points, compared to the longer-term pre-crisis average of 227 basis points, as shown in the chart below.

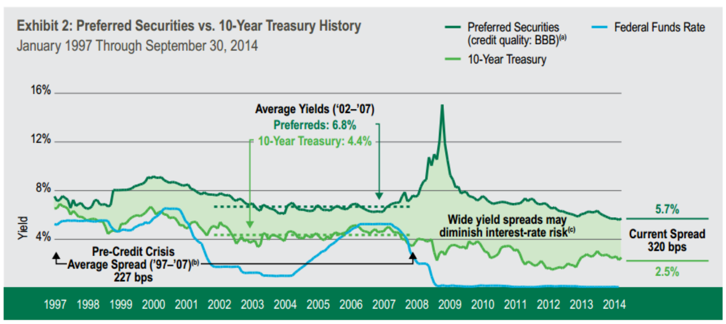

Exhibit 2: Preferred Securities vs. 10-Year Treasury History
January 1997 Through September 30, 2014

At September 30, 2014. Source: Bloomberg. Note: Yields shown on a yield-to-maturity basis.

Performance data quoted represents past performance. Past performance is no guarantee of future results.

(a) BofA Merrill Lynch Fixed Rate Preferred Securities Index. (b) Index rating was single-A pre-crisis compared with BBB today. (c) Treasury yields may rise in the future, and that could have a negative spillover effect on other fixed income securities with relatively narrow spreads over Treasuries. As shown in the chart, the spread between preferred securities and Treasuries is well above the pre-credit crisis average. Preferred securities' wide spreads to Treasuries may cushion the impact of a rising rate environment. See page 11 for index definitions and additional disclosure.

Wide credit spreads are a first line of defense relative to rising interest rates—and the wider the credit spread, the stronger the defense potential. Since credit risk has historically diminished in an improving economic climate, wide spreads can help cushion returns as this spread contraction helps to offset some or all of the higher Treasury yields. Potentially, the demanded yield on the credit instrument may not rise as much as that of a Treasury benchmark. It is worth pointing out that spread compression does not always occur, or it may occur over time or in an uneven fashion. For example, in 2013 outflows from preferred exchange-traded funds (ETFs), as well as tax-loss selling, kept pressure on the investment-grade exchange-traded market in the second half of the year, preventing a material spread narrowing as Treasury yields rose. In this case, market technicals overpowered the impact of steady fundamental issuer improvements. But the picture was a bit different in below-investment-grade preferreds, in both the exchange-traded and OTC markets. The wide spreads these securities offered did compress in the second half of 2013, providing somewhat of a cushion.

Structure Matters – Understanding the lower Interest-Rate Sensitivity of the Over-the-Counter Preferred Securities Market

Diving deeper into the asset class, there are two distinct trading markets for preferred securities: defined earlier as exchange-traded and OTC. Many securities in the OTC preferred market have a "fixed-to-float" structure, through which payments begin at a fixed rate for a specified period, for instance for 10 years, and then convert to a floating rate, for instance, at a rate that resets every quarter over a short-term rate benchmark, like LIBOR.(1) Since the rate can reset in the future, fixed-to-float issues have the potential to offer relatively modest interest rate risk. The durations of such issues-duration being a measure of price sensitivity with respect to changing yields-is based almost entirely on the length of the fixed-rate payment period. By contrast, many exchange-traded preferred securities offer a fixed-payment rate in perpetuity and thus carry very high durations and price sensitivities relative to changes in demanded rates. For a more detailed explanation of these securities structures, please see "*Case Study: Understanding Security Structure*" on page 7.

Exhibit 3: Preferred Securities—Tale of Two Markets

Preferred Securities	2014 YTD Total Return	2013 Total Return	2013 Price Return	2014 YTD Modified Duration (years)[a]
Over-the-Counter Preferred[b]	8.3%	4.9%	-1.3%	5.7
50/50 OTC/Exchange-Traded Preferred Blend[c]	10.3%	0.6%	-5.6%	6.8
Exchange-Traded Preferred[d]	12.4%	-3.7%	-9.7%	7.9
Other Fixed Income				
Corporate Bonds[e]	6.0%	-1.5%	-5.7%	6.7
Municipal Bonds[f]	8.3%	-2.9%	-7.2%	4.7
10-Year Treasury	6.9%	-7.8%	-9.8%	8.7
TIPS[g]	4.2%	-9.4%	-10.5%	8.4
High-Yield (Junk) Bonds[h]	3.6%	7.4%	0.0%	4.1

At September 30, 2014. Source: Cohen & Steers and BofA Merrill Lynch.

Performance data quoted represents past performance. Past performance is no guarantee of future results.

(a) Modified Duration measures the effect that a 100 basis point change in interest rates will have on the price of a bond. (b) BofA Merrill Lynch Capital Securities Index. (c) 50/50 blend of BofA Merrill Lynch Capital Securities Index and BofA Merrill Lynch Fixed Rate Preferred Securities Index. (d) BofA Merrill Lynch Fixed Rate Preferred Securities Index. (e) BofA Merrill Lynch Corporate Master Index. (f) BofA Merrill Lynch Municipal Master Index. (g) BofA Merrill Lynch U.S. Inflation-Linked Treasury Index. (h) BofA Merrill Lynch High Yield Master Index. See page 11 for index definitions and additional disclosure.

As highlighted on page 3 and shown in the 50/50 blend in Exhibit 3 above, the investment-grade preferred market posted a positive total return of 0.6% and outperformed many other fixed income asset classes in 2013. But the positive total return performance was attributable to the OTC preferred securities market. As shown above, the OTC market, evidenced by the BofA Merrill Lynch Capital Securities Index, posted a positive total return of 4.9% and outperformed the smaller exchange-traded preferred market by 860 basis points. In comparison, the investment-grade exchange-traded preferred market measured by the BofA Merrill Lynch Fixed Rate Preferred Securities Index generated a -3.7% total return. A very important difference is that the OTC index is largely composed of fixed-to-floating-rate securities, whereas the exchange-listed market is primarily a fixed-rate market. We do note, however that in recent quarters there has been a growing opportunity to own fixed-to-float securities in the exchange-listed market as well.

The exhibit on the previous page also indicates that the duration on the OTC preferred index is currently 5.7 years, which is lower than that of exchange-traded preferreds (7.9 years), corporate bonds (6.7 years) and 10-year U.S. Treasuries (8.7 years). Perhaps just as important is that the durations of many OTC preferred securities do not "extend" like that of most exchange-traded preferred securities. Hence, a duration of 5.7 years would be accurate whether the security is priced at a premium or below par. Conversely, duration measures of exchange-traded fixed-for-life preferreds can be misleading; duration could extend if the market environment changes and it is no longer advantageous for that issuer to redeem the security at its first call date.

(1) LIBOR is the London Interbank Offered Rate.

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- BMO Asset Management Inc. Introduces Four New ETFs to its Product Suite – November 12
- Calamos Closed-End Funds (NASDAQ: CHI, CHY, CSQ, CGO and CHW) Announce Monthly Distributions for November 2014 – October 31
- Cornerstone Progressive Return Fund Announces Continuing Monthly Distributions and Changes to December 2014 Payable Date – November 14
- Certain Deutsche Closed-End Funds Declare Monthly Distributions – November 10
- Distribution Dates and Amounts Announced for Certain Eaton Vance Closed-End Funds – November 11
- Federated Investors' Closed-End Municipal Funds Declare Monthly Dividends – November 11
- First Asset ETF Funds - November Distributions – November 18
- Guggenheim Investments Announces November 2014 Closed-End Fund Distributions – November 3
- John Hancock Closed-End Funds Declare Monthly Distributions – November 3
- Market Vectors ETFs Announce October 2014 Distributions – October 31
- MFS Announces Closed-End Fund Distributions – November 3
- Neuberger Berman Closed-End Intermediate Municipal Funds Announce Monthly Distributions – November 17
- The New Ireland Fund - Quarterly Portfolio Update as of October 31, 2014 – November 21
- NexPoint Credit Strategies Fund Announces the Regular Monthly Dividend – November 4
- Nuveen New Jersey Dividend Advantage Municipal Fund Transfers to New York Stock Exchange – November 5
- Nuveen Global Income Closed-End Funds Declare Distributions – November 11
- Several Nuveen Closed-End Funds Declare Capital Gains – November 12
- Prospect Capital meets 1Q profit forecasts – November 6
- Tortoise Capital Advisors Announces Distribution Dates and Amounts for Closed-End Funds – November 10
- Voya Global Equity Dividend and Premium Opportunity Fund and Voya International High Dividend Equity Income Fund Declare Monthly Distributions – November 17
- Wells Fargo Advantage Closed-End Funds Declare Monthly and Quarterly Dividends; Wells Fargo Advantage Multi-Sector Income Fund Reduces Dividend – November 7

How a Dynamic Allocation Strategy Can Help Navigate a Volatile Market Environment

Wednesday, November 19, 2014 | 11:00 AM ET

Keith Ashton

Well, thank you very much and a big welcome and thank you to those who have participated and are participating in this presentation. We have something I think that's very interesting, exciting to talk to you about related to two of the funds that we manage, ARDC and ARMF.

We've developed an investment strategy around credit that we think is not only differentiated but also offers compelling value. The strategy is the foundation for these two closed-end funds which trade under – on the New York Stock Exchange under the tickers ARDC and ARMF. So we're going to spend a few minutes today talking about the strategy and how it works and how it's been performing and why we think it matters and why we think it matters to investors especially today.

Now, there's been a lot of discussion in the market this year certainly around the health and well-being of credit especially high yield bonds and senior secured loans that you've read about it, we've read about it. We're going to spend a few minutes talking about that too and hopefully untangling some perception from reality.

And then finally, we'll spend a few minutes talking about collateralized loan obligations with CLOs because one of the distinguishing features of both of these funds is that each fund includes meaningful allocation to investments in CLOs and so we'll spend a few minutes talking about what they are and how they perform and why we emphasize them in the strategy. Just especially for those who may be less familiar with them since it is after all predominantly an institutional asset class.

And then we're going to have time at the end of all this to answer your questions and we certainly welcome them. Our goal today really is to provide a framework for thinking about and talking about these two funds.

And we just don't think there are any other closed-end funds out there right now that are like these two funds. And so what we want to do is as good a job as we possibly can explaining that and answering all of your questions.

So maybe before we jump into the funds themselves and the strategy, I'd like to spend just a few minutes to talk about our firm, Ares Management.

Among institutional investors, we are frankly top shelf across the board. I'm on slide 3. Ares is a specialist alternative asset manager, leading global manager. We have people in offices across the world today approximately 80 billion of assets under management.

We manage capital, this 80 billion of capital across four primary disciplines, all of them related to credit. And when – when I say credit, when we say credit, what we're really talking about is lending money to companies.

Now, some cases where that lending takes the form of a – of a loan or a bond and we'll do that either as a traded security like a tradable high yield bond or senior secured loan or we may directly lend to companies in our direct lending platform.

And many of you will be familiar with Ares because of our business development company that trades under the ticker ARCC which is one of the largest by market capital and as well is one of the broadest scope in terms of lending particularly to small and medium cap companies.

Featured Speaker

Keith Ashton
Portfolio Manager
Ares Management

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