Capital Link's
CEF & ETF Monthly Newsletter
February 2015
Volume 3 | Issue 2

Table of Contents

UPCOMING EVENTS

CAPITAL LINK, INC.
New York • London • Athens • Oslo
230 Park Ave. Suite 1536 New York, NY 10169 | NY: +1 (212) 661-7566 forum@capitallink.com

CAPITAL LINK'S 2nd Annual Master Limited Partnership Investing Forum

Thursday, March 5, 2015 - New York City

▶ REGISTER

▶ AGENDA

▶ ADD TO OUTLOOK

▶ ONE-ON-ONE MEETINGS

Attendance is complimentary for qualified delegates

This Forum has been approved by the CFP Board for 8.5 CFP Credits and approved by IMCA for 9.00 CIMA/CPWA Credits

Capital Link's 2nd Annual MLP Investing Forum will take place at the Metropolitan Club in New York City on Thursday, March 5, 2015.

This Forum is the only industry event that will focus both on the institutional investor and the financial advisor community, which has been overlooked by other industry events.

The Forum will address major topics of interest to the industry featuring sector panels, analyst panels, individual MLP presentations, 1x1 meetings with investors and financial media. The Forum combines an informational and marketing platform with unique visibility and networking opportunities. The New York location facilitates participation by major industry participants and investors.

INDUSTRY TOPICS & PRESENTATIONS

Developments, Trends & Sector Outlook

- **The State of the MLP Sector 2015**
- **Tax/Legislation/Regulatory**
- **Upstream** – *Exploration & Production*
- **Midstream** – *Gathering & Processing*
- **Midstream** – *Pipelines Transportation & Storage*
- **Downstream**
- **Marine Transportation**
- **MLP Closed End Funds & ETFs** – *The Investor Perspective*
- **Real Property Infrastructure MLPs**
- **Oilfield Services**
- **Raising Capital for MLPs Capital Markets & Bank Financing**
- **Analyst Perspective**

PRESENTERS & PARTICIPATING COMPANIES

- **Bracewell & Giuliani LLP**
- **Capital Product Partners**
- **Clarkson Platou Securities**
- **Cohen & Steers**
- **CONE Midstream Partners**
- **CrossAmerica Partners**
- **CSI Compressco**
- **Cushing Asset Management**
- **Cypress Energy Partners**
- **Dynagas LNG Partners**
- **EQT Midstream Partners**
- **Emerge Energy Services**
- **Enbridge Energy Partners**
- **EY**
- **GasLog Partners**
- **Golar LNG Partners**
- **Goldman Sachs Asset Management**
- **Hi-Crush Proppants**
- **Infrastructure Capital Advisors**
- **Janney Montgomery Scott**
- **Kayne Anderson Capital Advisors**
- **Landmark Infrastructure**
- **LINN Energy**
- **LRR Energy**
- **Marlin Midstream Partners**
- **Memorial Production Partners**
- **Mid-Con Energy Partners**
- **National Association of Publicly Traded Partnerships (NAPTP)**
- **Navios Maritime Partners/Navios Midstream Partners**
- **New Source Energy Partners**
- **NGL Energy Partners**
- **Oppenheimer & Co. Inc.**
- **Plains All American Pipelines**
- **RW Baird**
- **Seadrill Partners**
- **Seward & Kissel LLP**
- **Sprague Resources**
- **Stifel**
- **StoneMor Partners**
- **Tortoise Capital Advisors**
- **TransMontaigne Partners**
- **Vanguard Natural Resources**

TARGET AUDIENCE

Institutional Investors • Registered Investment Advisors • Financial Planners • Private Bankers • Securities Analysts • Retail and Institutional Brokers • Industry Specialists & Analysts • Financial Press & Media

Please visit our website for more details. We look forward to seeing you!

For more information please contact: Eleni Bej, Director of Special Events at ebej@capitallink.com or +1(212)661-7566 in NY

LEAD SPONSORS

BAIRD
Clarksons Platou Securities
Janney
OPPENHEIMER
STIFEL

SPONSORS

COHEN & STEERS
CUSHING MLP ASSET MANAGEMENT
EY
Goldman Sachs Asset Management
InfraCap
Kayne Anderson
SEWARD & KISSEL LLP
Tortoise Capital Advisors

SUPPORTING ORGANIZATION

NATIONAL ASSOCIATION OF PUBLICLY TRADED PARTNERSHIPS

MEDIA PARTNERS

BARRON'S
asset tv
THE ENERGY REPORT
HARTENERGY
Hedge Fund Alert
INVESTOR'S BUSINESS DAILY
MIDSTREAM Business
OIL&GAS FINANCIAL JOURNAL
Oil and Gas Investor

The Month in Closed-End Funds: January 2015

PERFORMANCE

A drop in wages, slumping oil prices, and terror fears set the stage for a volatile month for the markets in January. Despite a fairly strong labor report at the beginning of the month—the U.S. economy added a better-than-expected 252,000 new jobs for December, investors initially focused on the drop in hourly wages, which to some suggested the economy was not starting to accelerate as many had earlier imagined. Some pundits felt the deceleration in wage growth could cause the Federal Reserve to postpone raising interest rates in June or even possibly later this year. Reports of a dual hostage crisis in France accompanied by a continued decline in oil prices placed a pall over the markets. Investors reeled on learning the Swiss National Bank decoupled the Swiss franc from the euro, further stoking fears of global deflation and perhaps showing a lack of confidence in the euro. The continued decline in oil prices pushed consumer prices down 0.4%, while industrial production declined for the first time since August. Nonetheless, the preliminary January reading for the University of Michigan/Thomson Reuters consumer-sentiment index jumped to its highest level (98.2) since 2004. The mid-month announcement by the European Central Bank that it would launch in March its bond-purchase program worth 1.1 trillion euros helped offset concerns about the Greek election results, which brought the anti-austerity, leftist Syriza party to power. However, a downbeat gross domestic product report caused investors to duck for cover at month-end and turn their investment dollars to the safety of Treasuries and gold, sending equities to the cellar and bonds to the plus side. The main indices suffered their largest monthly losses in a year, with the Dow declining 3.69% and the S&P 500 tumbling 3.06% for January. As a result, equity CEFs posted a negative NAV-based return (-0.73% on average) and market-based return (-0.42%) for the second consecutive month, while fixed income CEFs were in the black, rising 1.61% on a NAV basis and 3.02% on a market basis.

Treasury yields declined at all maturities in January, with the ten-year yield (+1.68%) declining a whopping 49 bps at month-end from its prior month's close to its lowest level since May 2, 2013. The rising dollar, slowing growth overseas, and Q4 U.S. GDP growth coming in below expectations at 2.6% made U.S. Treasuries more attractive to foreign investors and a safe-haven play for U.S. investors. The 30-year Treasury yield, dropping 50 bps to 2.25%, witnessed the largest decline in January of the group. At the short-end of the curve the one-month and three-month yields witnessed the smallest declines, dropping 2 bps to 0.01% and 0.02%, respectively.

The Month in Closed-End Funds: January 2015

- Equity and fixed income closed-end funds (CEFs) went their separate ways in January. Equity CEFs posted their second straight month of declines, dropping on average 0.73% on a net-asset-value (NAV) basis. Meanwhile, their fixed income counterparts posted a plus-side return on average, rising 1.61% for the month.
- For January only 13% of all CEFs traded at a premium to their NAV, with 13% of equity funds and 12% of fixed income funds trading in premium territory. Lipper's municipal bonds CEFs macro-group witnessed the largest narrowing of discounts for the month—204 basis points (bps) to 6.57%.
- Continuing a 12-month trend, all of Lipper's municipal bond CEF classifications posted returns in the black, with General & Insured Municipal Bond CEFs (Leveraged) (+2.98%) once again posting the best return.
- Once again, mixed-asset CEFs (+0.27%) outpaced their world equity CEFs (-0.42%) and domestic equity CEFs (-1.17%) brethren.
- Once again, Real Estate CEFs (+3.80%) posted the strongest return in the equity universe for the month, while Growth CEFs (-7.46%) was at the bottom.

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

THOMSON REUTERS

For January the dollar once again gained against the euro (+7.31%) and the pound (+3.47%) but lost against the yen (-1.90%). Commodities prices were mixed, with near-month gold prices rising 8.03% to close the month at $1,279.20/ounce. Meanwhile, front-month crude oil prices plunged 9.44% to close the month at $48.24/ barrel.

For the month 63% of all CEFs posted NAV-basis returns in the black, with 38% of equity CEFs and 81% of fixed income CEFs chalking up returns in the plus column. The slide in oil prices and concerns that the rising dollar might hurt U.S. exporters weighed on Lipper's domestic equity CEFs macro-group (-1.17%), pushing it to the bottom of the equity CEF universe.

On the equity side (for the fifth consecutive month) mixed-asset CEFs (+0.27%) outpaced the other macro groups, followed by world equity CEFs (-0.42%). For the third consecutive month Lipper's Real Estate CEFs classification (+3.80%) led the equity universe. Real Estate CEFs benefitted from investors' continued search for income-producing securities, the asset class's resilience to short-term price changes, and its attractiveness to foreign investors (who benefit from the yield and strengthening U.S. dollar). With the U.S. dollar continuing on its recent tear, the decline in crude oil prices, and investors' flight to safety, it was little wonder that growth-oriented issues and commodities were pummeled during the month, sending Growth CEFs (-7.46%), Energy MLP CEFs (-4.63%), and Natural Resources CEFs (-3.99%) to the bottom of the equity universe. For the remaining equity classifications returns ranged from minus 2.85% (Core CEFs) to 2.54% (Pacific ex-Japan CEFs).

Three of the five top-performing individual equity CEFs were housed in Lipper's World Equity CEFs macro classification. However, at the top of the leader board was ASA Gold & Precious Metals Limited (NYSE: ASA), returning 15.26% on a NAV basis and traded at a 9.26% discount on January 30. Following ASA were India Fund, Inc. (NYSE: IFN, housed in Lipper's Emerging Markets CEFs classification), posting a 9.17% return and traded at a 7.41% discount at month-end; Morgan Stanley India Investment Fund, Inc. (NYSE: IIF, also housed in Lipper's Emerging Markets CEFs classification), gaining 7.87% on a NAV basis and traded at a 10.15% discount at month-end; Canadian World Fund Limited (TOR:T.CWF, warehoused in Lipper's Developed Markets CEFs classification), rising 7.43% on a NAV basis and traded at a 39.97% discount on January 30; and RMR Real Estate Income Fund (AMEX: RIF, warehoused in Lipper's Real Estate CEFs classification), posting a 6.95% NAV-based return and traded at a 16.83% discount at month-end.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 28.57% to positive

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	38	51	44	13	87
Bond Funds	81	78	20	12	87
ALL CEFs	**63**	**67**	**30**	**13**	**87**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	JANUARY	YTD	3-MONTH	CALENDAR-2014
Equity Funds	-0.73	-0.73	-1.82	6.65
Bond Funds	1.61	1.61	1.48	11.56
ALL CEFs	**0.63**	**0.63**	**0.10**	**9.58**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	JANUARY 2015	CALENDAR-2014
ALL CEFs	**23**	**23**

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

3 MONTHS THROUGH 12/31/2014	317
COMPARABLE YEAR-EARLIER 3 MONTHS	276
CALENDAR 2014 AVERAGE	302

Source: Lipper, a Thomson Reuters company

15.26%—was narrower than December's spread and more positively skewed. The 20 top-performing equity CEFs posted returns at or above 4.07%, while the 20 lagging equity CEFs were below minus 4.74%.

Given the flight to safety and the move away from growth-oriented issues, it wasn't surprising to see Engex, Inc. (OTC: EXGI), housed in Lipper's Growth CEFs classification, shed 28.57% and sit at the bottom of the equity CEFs universe for the month. (EXGI did not report a market price on January 30.) Weakness in commodity prices, a strengthening dollar, and slowing demand for crude oil also weighed on Lipper's Energy MLP CEFs classification. Cushing Royalty & Income Fund (NYSE:SRF) posted the next poorest return in the equity universe, declining 16.18%, and traded at a 3.33% premium at month-end. For January only 95 equity CEFs experienced NAV-based returns in the black.

Despite investors' initially anticipating near-term increasing interest rates, fears of Eurozone economic weakness and a decline in U.S. GDP led to both U.S. and foreign investors pushing yields to their lowest levels since 2013, with the Treasury curve flattening at all maturities. The ten-year yield declined 49 bps to 1.68% at month end, its lowest level since May 2013. Municipal bond CEFs (+2.74%) was the only fixed income macro-classification with all of its classifications experiencing returns in the black. The muni CEFs group was followed by domestic taxable bond CEFs (+0.41%) and world bond CEFs (-0.52%).

Once again, at the top of the fixed income classification charts was General & Insured Municipal Debt CEFs (Leveraged) (+2.98%), followed closely by Other States Municipal Debt CEFs (+2.73%), while Emerging Markets Debt CEFs (-0.94%) was at the bottom of the fixed income universe for the third consecutive month. At the bottom of the municipal bond CEFs macro-group was General & Insured Municipal Debt CEFs (Unleveraged) (+2.07%). National municipal debt CEFs (+2.79%) outperformed their single-state municipal debt CEF counterparts (+2.67%) by 12 bps.

As a result of continued soft global economic reports and the strengthening dollar, both classifications making up Lipper's World Income CEFs macro-classification (-0.52%) posted returns in the red for January. Global Income CEFs (-0.21%) mitigated losses better than its Emerging Markets Debt CEFs (-0.94%) cousin. While High Yield Municipal Debt CEFs (+2.40%) posted a strong plus-side return for the month, both High Yield CEFs (Leveraged) (+0.05%) and High Yield CEFs (-0.43%) were at the bottom of the domestic taxable fixed income CEFs group. Among domestic taxable fixed income CEFs the remaining classification returns ranged from 0.22% (Loan Participation CEFs) to 2.06% (Corporate Debt BBB-Rated CEFs [Leveraged]).

All five top-performing individual CEFs in the fixed income universe were housed in Lipper's municipal bond CEFs macro-group. At the top of the group for the second month in a row was Eaton Vance Municipal Income Trust (NYSE:EVN, housed in Lipper's General & Insured Municipal Debt CEFs [Leveraged] classification), returning 4.68% and traded at a 2.19% premium at month-end. Following EVN were PIMCO Municipal Income Fund III (NYSE: PMX, also housed in Lipper's General & Insured Municipal Debt CEFs [Leveraged] classification), tacking 4.40% onto its December month-end value and traded at a 1.58% premium on January 30, and PIMCO New York Municipal Income Fund II (NYSE: PNI, housed in Lipper's New York Municipal Debt CEFs classification), posting a 4.27% return and traded at a 7.85% premium at month-end.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 3.35% for NexPoint Credit Strategies Fund (NYSE: NHF, housed in Lipper's High Yield CEFs [Leveraged] classification and traded at a 14.37% discount on January 30) to 4.16% for PIMCO New York Municipal Income Fund (NYSE:PNF), housed in Lipper's New York Municipal Debt CEFs classification and traded at a 2.90% discount at month-end. The 20 top-performing fixed income CEFs posted returns at or above 3.40%, while the 20 lagging CEFs were at or below minus 0.98%. A total of 63 fixed income CEFs suffered downside performance for January.

PREMIUM AND DISCOUNT BEHAVIOR

For January the median discount of all CEFs narrowed 72 bps to 8.56%—only slightly deeper than the 12-month moving average discount (8.54%). Equity CEFs' median discount narrowed 46 bps to 9.00%, while fixed income CEFs' median discount narrowed 78 bps to 8.35%. The municipal bond CEFs macro-group's median discount witnessed the largest narrowing of discounts, 204 bps to 6.57%, while the High Yield CEFs classification witnessed the largest widening in the CEFs universe—56 bps to 9.91%.

For the month 67% of all funds' discounts or premiums improved, while 30% worsened. In particular, 51% of equity funds and 78% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on January 30 (71) was 18 more than on December 31.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

Wildermuth Advisory raised $500,000 with the launch of Wildermuth Endowment Strategy Fund (NASDAQ: WESFX).

RIGHTS, REPURCHASES, TENDER OFFERS

Firsthand Technology Value Fund (NASDAQ: SVVC) announced the final results of its tender offer. The tender offer for up to 859,000 (5%) of outstanding common shares at 95% of NAV was oversubscribed. Shareholders tendered nearly 5.1 million shares, meaning on a pro rata basis 17% of shares were accepted for payment.

European Equity Fund (NYSE: EEA) will purchase up to 5% of its outstanding common shares at 98% of NAV until February 20, 2015. If more than 5% of the fund`s shares are tendered, the fund will purchase them on a pro rata basis.

MERGERS AND REORGANIZATIONS

Directors of three Nuveen New York municipal CEFs approved a merger, which is subject to shareholder approval in second quarter 2015. Nuveen New York Dividend Advantage Municipal Fund (NYSE:NAN) will acquire Nuveen New York Performance Municipal Fund (NYSE: NNP) and Nuveen New York Dividend Advantage Fund 2 (NYSE: NXK).

OTHER

Deutsche High Income Trust (NYSE: KHI) announced that a proposal to convert from a closed-end investment company to an open-end investment company will be presented at a shareholders' meeting in 2015. The fund is required to submit such a proposal to shareholders if its average discount exceeds 10%, based on the last trading day in each week during the 12 calendar weeks preceding the beginning of each year, which it did in 2014.

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

CEF Performance Statistics

LIPPER

Category	Average 1Mo NAV Change	Average 1Mo Mkt Change	Average P/D 1/31/2015	Average P/D 12/31/2014	Average 1 Mo P/D Change	Average 1Y NAV Change	Average 1Y Mkt Change	Average 1Y P/D Change (%)
California Municipal Debt Funds	2.3%	4.7%	-2.4%	-4.6%	2.2%	14.4%	18.6%	3.3%
Convertible Securities Funds	-1.7%	-0.7%	-3.1%	-4.1%	1.0%	-5.8%	-1.4%	4.4%
Core Funds	-3.3%	-3.4%	-9.1%	-9.5%	0.1%	-4.9%	-6.2%	-1.6%
Corporate BBB-Rated Debt Funds(Leveraged)	1.9%	2.5%	-9.4%	-9.9%	0.5%	3.3%	3.8%	0.4%
Corporate Debt Funds BBB-Rated	1.3%	1.9%	-7.8%	-8.4%	0.6%	1.6%	3.6%	1.7%
Developed Market Funds	0.6%	0.5%	-11.8%	-11.7%	-0.1%	-7.1%	-9.7%	-2.6%
Emerging Markets Funds	-1.2%	-0.6%	-8.5%	-9.0%	0.5%	-7.9%	-8.0%	0.2%
Emerging Mrkts Hard Currency Debt Funds	-1.4%	-0.3%	-11.5%	-12.4%	0.9%	-9.9%	-11.3%	-1.5%
Energy MLP Funds	-4.9%	-5.0%	-4.3%	-3.7%	-0.6%	-8.1%	-11.4%	-3.6%
General & Insured Muni Debt Funds (Leveraged)	2.5%	4.6%	-5.8%	-7.6%	1.8%	16.1%	17.6%	1.2%
General & Insured Muni Fds (Unleveraged)	1.7%	3.3%	-0.8%	-2.2%	1.4%	9.6%	14.9%	4.6%
General Bond Funds	-0.1%	1.3%	-3.5%	-4.6%	1.8%	-0.5%	0.4%	0.5%
Global Funds	-1.7%	-2.2%	-9.8%	-9.4%	-0.4%	-7.2%	-6.7%	0.4%
Global Income Funds	-1.0%	0.0%	-7.9%	-8.8%	0.9%	-4.9%	-5.7%	-0.7%
Growth Funds	-8.2%	-3.6%	-6.2%	-14.4%	0.3%	-5.4%	-20.3%	7.8%
High Yield Funds	-1.1%	-0.8%	-8.1%	-8.3%	0.1%	-7.8%	-7.9%	-0.5%
High Yield Funds (Leveraged)	-0.4%	-0.4%	-6.9%	-6.8%	-0.1%	-6.0%	-7.0%	-0.9%
High Yield Municipal Debt Funds	1.9%	3.6%	-1.4%	-3.0%	1.6%	12.1%	14.9%	2.4%
Income & Preferred Stock Funds	0.5%	3.0%	-5.3%	-7.9%	2.6%	6.8%	10.3%	2.7%
Intermediate Municipal Debt Funds	1.8%	3.1%	-4.2%	-5.3%	1.1%	9.7%	10.1%	0.3%
Loan Participation Funds	-0.1%	-0.7%	-10.1%	-9.5%	-0.6%	-4.3%	-9.8%	-5.1%
Natural Resources Funds	-4.0%	-1.5%	-7.4%	-10.7%	3.3%	-10.3%	-5.7%	3.3%
New Jersey Municipal Debt Funds	2.2%	4.5%	-8.8%	-10.9%	2.1%	13.9%	15.1%	1.0%
New York Municipal Debt Funds	2.2%	3.9%	-5.9%	-7.5%	1.5%	13.6%	14.2%	0.5%
Options Arbitrage/Opt Strategies Funds	-2.0%	-1.0%	-4.3%	-5.1%	1.1%	-4.8%	-2.0%	2.6%
Other States Municipal Debt Funds	2.3%	4.1%	-6.6%	-8.1%	1.5%	13.5%	16.5%	2.4%
Pacific Ex Japan Funds	-2.0%	-2.9%	-10.4%	-9.5%	-0.9%	-9.7%	-10.5%	-1.1%
Pennsylvania Municipal Debt Funds	2.1%	4.0%	-8.9%	-10.6%	1.7%	13.4%	16.0%	2.1%
Real Estate Funds	3.5%	2.8%	-12.2%	-12.4%	-1.3%	19.5%	18.4%	0.0%
Sector Equity Funds	1.9%	2.7%	-4.6%	-6.0%	1.4%	2.0%	2.1%	3.7%
U.S. Mortgage Funds	0.0%	1.0%	-7.3%	-8.4%	1.1%	0.4%	0.5%	0.6%
Utility Funds	-0.3%	0.1%	-4.5%	-5.0%	0.5%	7.8%	10.6%	2.4%
Value Funds	-2.2%	-3.4%	-10.9%	-10.4%	-0.5%	-0.8%	2.6%	0.8%

Top 5 Performing CEFs

LIPPER

Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds	ASA	15.3%	1
India Fund	Emerging Markets Funds	IFN	9.2%	2
Morg Stan India Inv	Emerging Markets Funds	IIF	7.9%	3
RMR Real Estate Income	Real Estate Funds	RIF	7.0%	4
Cohen & Steers Qual Rlty	Real Estate Funds	RQI	6.9%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
Morg Stan India Inv	Emerging Markets Funds	IIF	57.0%	1
Cohen & Steers Qual Rlty	Real Estate Funds	RQI	37.5%	2
India Fund	Emerging Markets Funds	IFN	36.6%	3
RMR Real Estate Income	Real Estate Funds	RIF	36.2%	4
Morg Stan China A	Emerging Markets Funds	CAF	34.4%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds	ASA	17.3%	1
Central Fund of Canada	Sector Equity Funds	CEF	14.2%	2
India Fund	Emerging Markets Funds	IFN	12.3%	3
Eaton Vance OH Muni Bd	Other States Municipal Debt Funds	EIO	11.2%	4
Central GoldTrust	Sector Equity Funds	GTU	10.3%	5

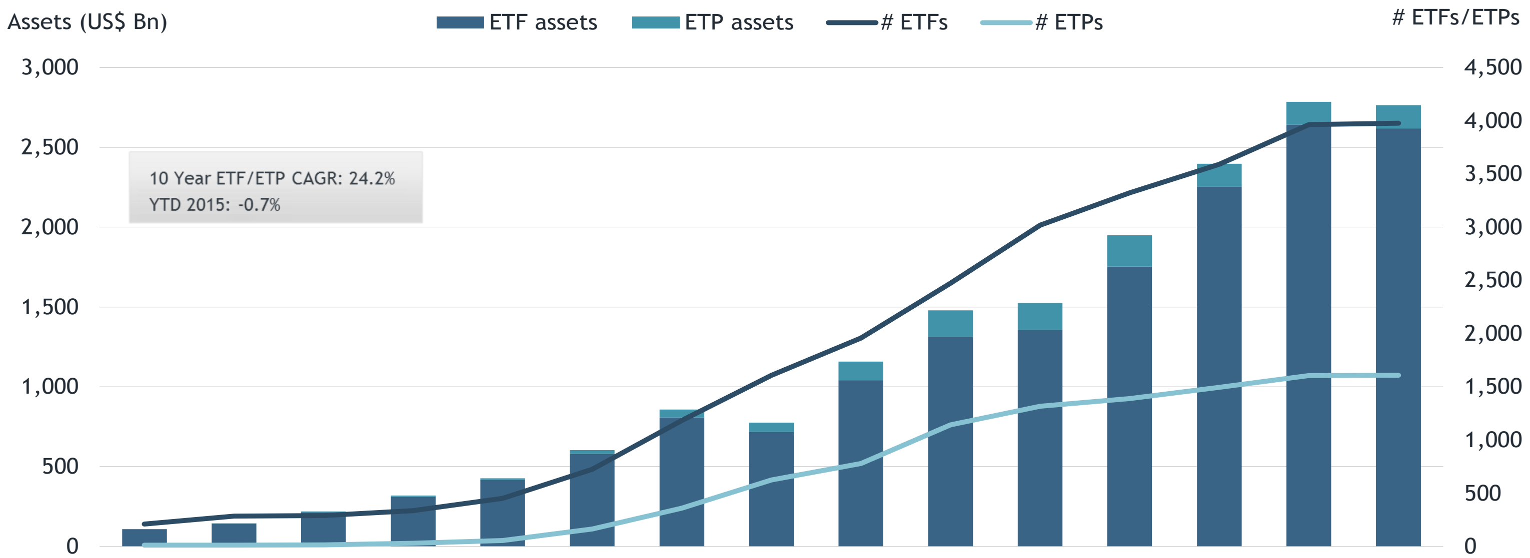
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
Morg Stan India Inv	Emerging Markets Funds	IIF	62.1%	1
India Fund	Emerging Markets Funds	IFN	44.9%	2
Cohen & Steers Qual Rlty	Real Estate Funds	RQI	34.1%	3
Eaton Vance Muni Inc Tr	General & Insured Muni Debt Funds (Leveraged)	EVN	33.4%	4
LMP Real Estate Income	Real Estate Funds	RIT	33.3%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
PIMCO High Income	General Bond Funds	PHK	18.5%	1
PIMCO Gl StksPLUS & Inc	Options Arbitrage/Opt Strategies Funds	PGP	16.4%	2
BlackRock Energy & Res	Natural Resources Funds	BGR	13.8%	3
Goldman Sachs MLP&En Ren	Energy MLP Funds	GER	10.1%	4
Nuveen AC Engy MLP Opps	Energy MLP Funds	JML	9.8%	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
Herzfeld Caribbean Basin	Emerging Markets Funds	CUBA	33.0%	1
Engex Inc	Growth Funds	EGI	31.1%	2
Foxby Corp	Growth Funds	FBY	26.7%	3
Self Storage Group	Real Estate Funds	SELF	21.3%	4
Pioneer High Income Tr	High Yield Funds (Leveraged)	PHT	21.2%	5

Global ETF and ETP asset growth as at end of January 2015

At the end of January 2015, the Global ETF/ETP industry had 5,585 ETFs/ETPs, with 10,770 listings, assets of US$2.76 trillion, from 242 providers on 63 exchanges.



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Jan-15
# ETFs	209	284	289	335	451	725	1,184	1,609	1,959	2,474	3,020	3,323	3,590	3,964	3,978
# ETFs/ETPs	221	296	304	365	507	888	1,544	2,233	2,738	3,617	4,337	4,711	5,084	5,569	5,585
ETF assets	105	142	212	310	417	580	807	716	1,041	1,313	1,355	1,754	2,254	2,643	2,619
ETF/ETP assets	109	146	218	319	426	603	857	774	1,158	1,478	1,526	1,949	2,398	2,785	2,766

Summary for ETFs/ETPs: Global

ETFGI's new research finds overall net new asset (NNA) flows in January were US$12.2 Bn. Net inflows of US$13.3 Bn into fixed income products and US$5.2 Bn of net inflows of into commodity ETFs/ETPs globally ranked as the third largest months on record for both asset classes while equity ETFs/ETPs suffered net outflows of US$8.0 Bn in January.

The global ETF/ETP industry had 5,585 ETFs/ETPs, with 10,770 listings, assets of US$2.77 trillion, from 242 providers listed on 63 exchanges in 51 countries at the end of January 2015 according to preliminary data from ETFGI's end January 2015 global ETF and ETP industry insights report.

"Investors showed a strong preference for fixed income and commodity exposure during January as volatility increased. The S&P 500 was down 4%, developed markets were flat, emerging markets were down slightly while frontier markets where down 3% in January. The ECB announced on January 22nd a stimulus package which will total US$1.27 trillion based on buying US$69 billion a month in public and private bonds to stimulate the European economy.", according to Deborah Fuhr, Managing Partner at ETFGI.

Globally, Vanguard gathered the largest net ETF/ETP inflows in January with US$9.8 Bn, followed by iShares with US$7.7 Bn, WisdomTree with US$3.9 Bn, DB Xtrackers with US$3.3 Bn And UBS GAM US$2.3 Bn in net inflows.

Fifty-five new products were listed in January by 26 providers which is just 1 less than the 56 new product listed in January 2014. Thirty-nine ETFs/ETPs were closed in January which is a 250% increase from the 11 closures in January 2014.

Regionally:
The ETF/ETP industry in Europe has started 2015 with the largest ever monthly net inflows of US$14.9 Bn surpassing the prior record of US10.8 Bn in net inflows set in July 2014. ETFs/ETPs in Japan had a strong start to the year gathering US$3.8 Bn which is more than the US$3.0 Bn gathered in January 2014. ETFs/ETPs in Asia Pacific ex Japan had its weakest start to the year suffering US$3.0 Bn in net outflows during January.

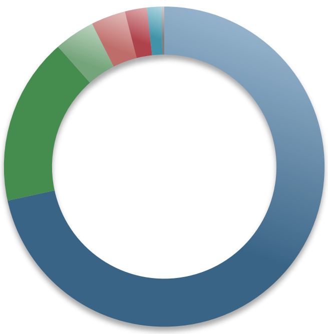
In January 2015, 55 new ETFs/ETPs were launched by 26 providers. Including cross listings, there were 98 new listings from 32 providers on 16 exchanges. 39 ETFs/ETPs closed.

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.

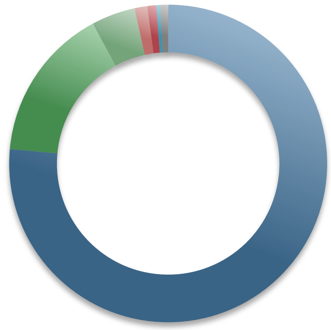
Global ETF/ETP Assets Summary

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	1,652	$1,980.0	71.6%
Europe	2,095	$467.1	16.9%
Asia Pacific (ex-Japan)	608	$113.4	4.1%
Japan	151	$96.2	3.5%
Canada	347	$61.5	2.2%
Middle East and Africa	686	$40.1	1.5%
Latin America	46	$7.6	0.3%
Total	**5,585**	**$2,765.8**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	2,944	$2,114.6	76.5%
Fixed Income	829	$434.3	15.7%
Commodities	710	$123.5	4.5%
Leveraged	323	$35.4	1.3%
Active	197	$25.3	0.9%
Leveraged Inverse	163	$11.4	0.4%
Others	419	$21.4	0.8%
Total	**5,585**	**$2,765.8**	**100.0%**

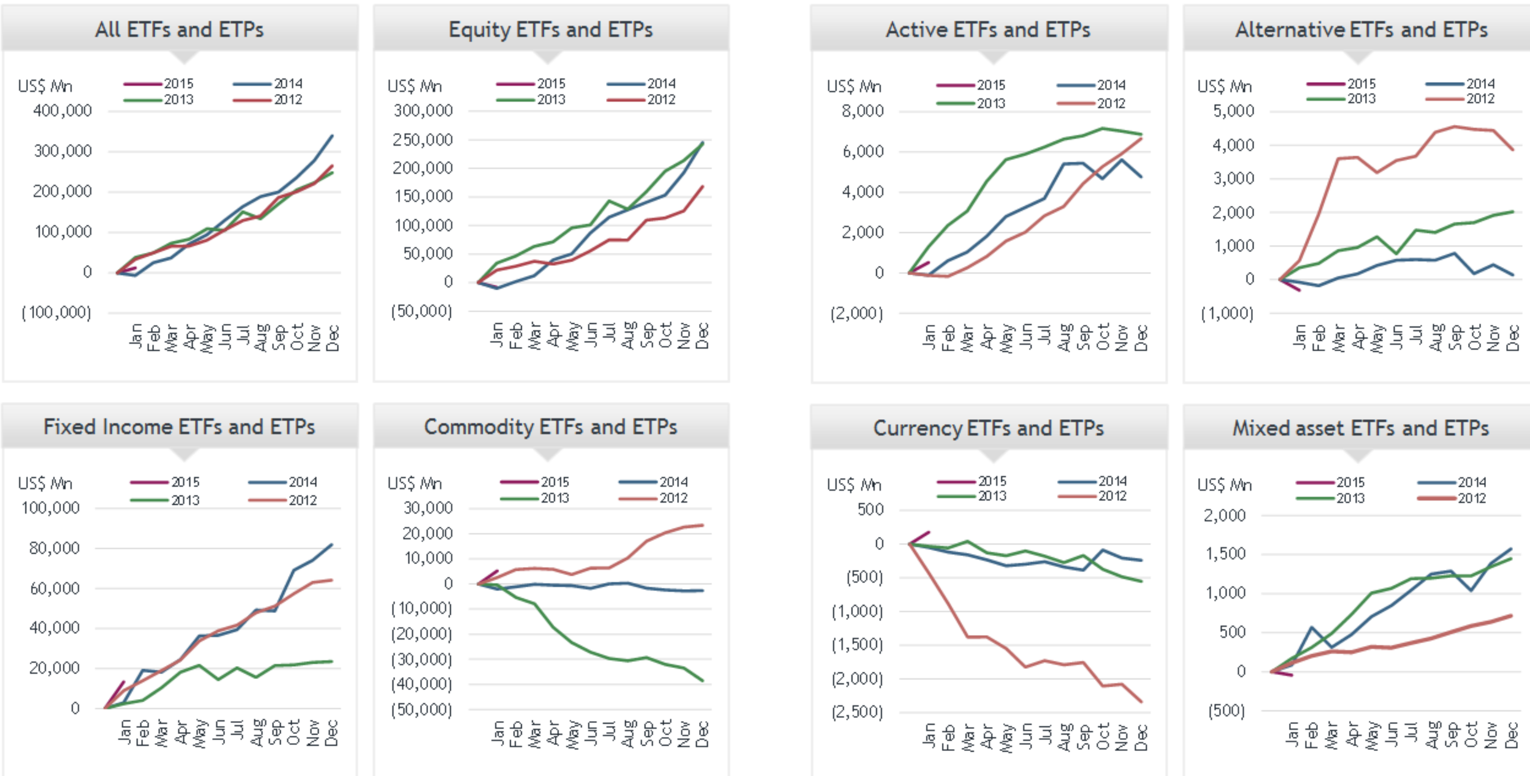
Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
ETF	3,978	$2,618.8	94.7%
ETP	1,607	$147.1	5.3%
Total	**5,585**	**$2,765.8**	**100.0%**

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.

etfgi.com

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



ETFs and ETPs listed globally gathered net inflows of $12,176 Mn in January. At this point last year there were net outflows of $6,215 Mn.

Equity ETFs/ETPs saw net outflows of $8,026 Mn in January, which is greater than the net outflows of $10,180 Mn over the same period last year.

Fixed income ETFs and ETPs experienced net inflows of $13,288 Mn in January, which is greater than the same period last year which saw net inflows of $2,867 Mn.

Commodity ETFs/ETPs accumulated net inflows of $5,167 Mn in January, compared to net outflows of $2,038 Mn over the same period last year.

Actively managed products saw net inflows of $514 Mn in January, which is greater than the net outflows of $104 Mn over the same period last year.

Products tracking alternative indices experienced net outflows of $315 Mn in January which is less than the same period last year which saw net outflows of $82 Mn.

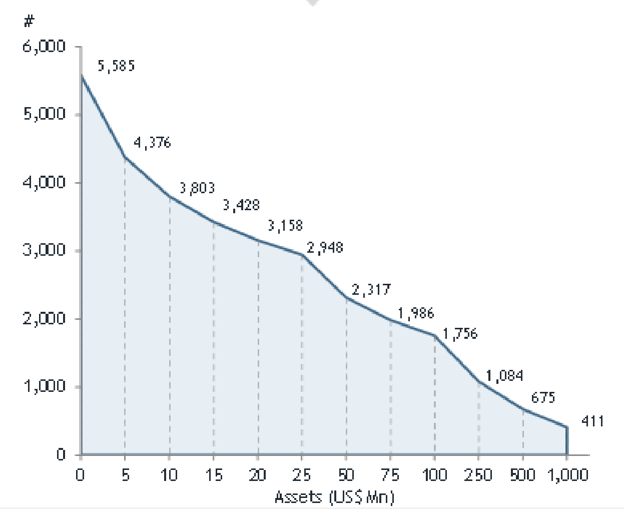
Currency products accumulated net inflows of $177 Mn in January compared to net outflows of $51 Mn over the same period last year.

Products holding more than one asset class saw net outflows of $46 Mn in January which is less than the net inflows of $86 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	5,585	100.0%	2,761	100.0%
5	4,376	78.4%	2,758	99.9%
10	3,803	68.1%	2,754	99.8%
15	3,428	61.4%	2,749	99.6%
20	3,158	56.5%	2,745	99.4%
25	2,948	52.8%	2,740	99.3%
50	2,317	41.5%	2,717	98.4%
75	1,986	35.6%	2,697	97.7%
100	1,756	31.4%	2,677	97.0%
250	1,084	19.4%	2,567	93.0%
500	675	12.1%	2,423	87.8%
1,000	411	7.4%	2,238	81.1%

411 ETFs/ETPs have greater than US$1 Bn in assets, while 1,756 have greater than US$100 Mn in assets and 2,317 have greater than US$50 Mn in assets. The 411 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,238 Bn, or 81.1%, of global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) Jan-15	NNA (US$ Mn) Jan-15	NNA (US$ Mn) YTD 2015
S&P 500 Index	327,908	(27,382)	(27,382)
MSCI EAFE Index	58,113	1,083	1,083
CRSP US Total Market Index	50,840	1,258	1,258
NASDAQ 100 Index	47,835	2,188	2,188
Nikkei 225 Index	41,373	(2,928)	(2,928)
S&P Mid Cap 400 Index	40,297	166	166
TOPIX Index	37,450	687	687
EURO STOXX 50 Index	30,619	1,952	1,952
MSCI Japan Index	29,464	557	557
Russell 2000 Index	29,324	(1,306)	(1,306)
Russell 1000 Growth Index	27,462	(155)	(155)
MSCI US REIT Index	26,981	(1,129)	(1,129)
Russell 1000 Value Index	25,195	(162)	(162)
FTSE Developed ex North America Index	24,627	247	247
DAX Index	20,602	114	114
NASDAQ Dividend Achievers Select Index	19,354	661	661
MSCI World Index	19,268	443	443
S&P Financial Select Sector Index	17,973	(2,084)	(2,084)
CRSP US Large Cap Growth Index	17,485	412	412
CRSP US Large Cap Value Index	17,197	601	601

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.

Top 20 by monthly net inflows

Name	Assets (US$ Mn) Jan-15	NNA (US$ Mn) Jan-15	NNA (US$ Mn) YTD 2015
S&P 500 Index	9,012	2,898	2,898
NASDAQ 100 Index	47,835	2,188	2,188
S&P Mid Cap 400 Index	30,619	1,952	1,952
MSCI Japan Index	50,840	1,258	1,258
WisdomTree Japan Hedged Equity Index	58,113	1,083	1,083
Wisdom Tree Europe Hedged Equity Index	13,191	901	901
CRSP US Total Market Index	6,170	857	857
MSCI EAFE Index	1,676	697	697
FTSE Developed ex North America Index	12,622	695	695
JPX-Nikkei Index 400	4,293	688	688
S&P Energy Select Sector Index	37,450	687	687
S&P Preferred Stock Index	19,354	661	661
MSCI World Index	17,197	601	601
S&P Health Care Select Sector Index	4,382	572	572
S&P Equal Weight Index	8,213	561	561
S&P US 600 Small Cap Index	29,464	557	557
CRSP US Large Cap Growth Index	10,350	514	514
Russell 2000 Value Index	11,691	470	470
S&P Consumer Discretionary Select Sector Index	12,302	459	459
Russell 1000 Value Index	19,268	443	443

Year to Date ETF / ETP Product Launches

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	18	32.7%
US	13	23.6%
Asia Pacific (ex-Japan)	10	18.2%
Canada	6	10.9%
Japan	5	9.1%
Middle East and Africa	3	5.5%
Total	**55**	**100.0%**

Asset class	# ETFs/ETPs	% total
Equity	30	54.5%
Fixed income	11	20.0%
Leveraged	9	16.4%
Active	3	5.5%
Leveraged Inverse	2	3.6%
Total	**55**	**100.0%**

Structure	# ETFs/ETPs	% total
ETF	50	90.9%
ETP	5	9.1%
Total	**55**	**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.

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

Title: **Business Development Companies (BDCs) - Gateway to Attractive Yield Investments**
Date: Tuesday, March 10, 2015
Time: 11:00 AM – 12:00 PM ET

REGISTER

Grier Eliasek
President and Chief Operating Officer
Prospect Capital Corporation

Overview

With investors' heightened appetite for yield in the current low interest rate environment, Prospect Capital (Nasdaq: PSEC), a business development company (BDC) that focuses on lending to and investing in private U.S. businesses, offers a compelling investment opportunity.

Currently, PSEC trades at a dividend yield of ~11.4%, as compared to ~2% for the 10-year U.S. treasury yield. Given the current market dislocation among BDCs, investors have become increasingly focused on this yield-oriented asset class.

Join Mr. Grier Eliasek, the President and Chief Operating Officer of Prospect Capital, as he discusses the healthy fundamentals in the BDC industry. Mr. Eliasek will also discuss Prospect's strong track record, balance sheet strengths, differentiated origination approach, credit selection discipline, and more, providing investors with an attractive value proposition.

Featured Presenter:

- **Grier Eliasek,** *President and Chief Operating Officer* – Prospect Capital Corporation

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

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

Presented by:

PROSPECT CAPITAL

www.capitallinkwebinars.com

Click here for more information or call 212-661-7566.

Closed-End Funds Welcome Volcker TOBs Delay

February 12, 2015

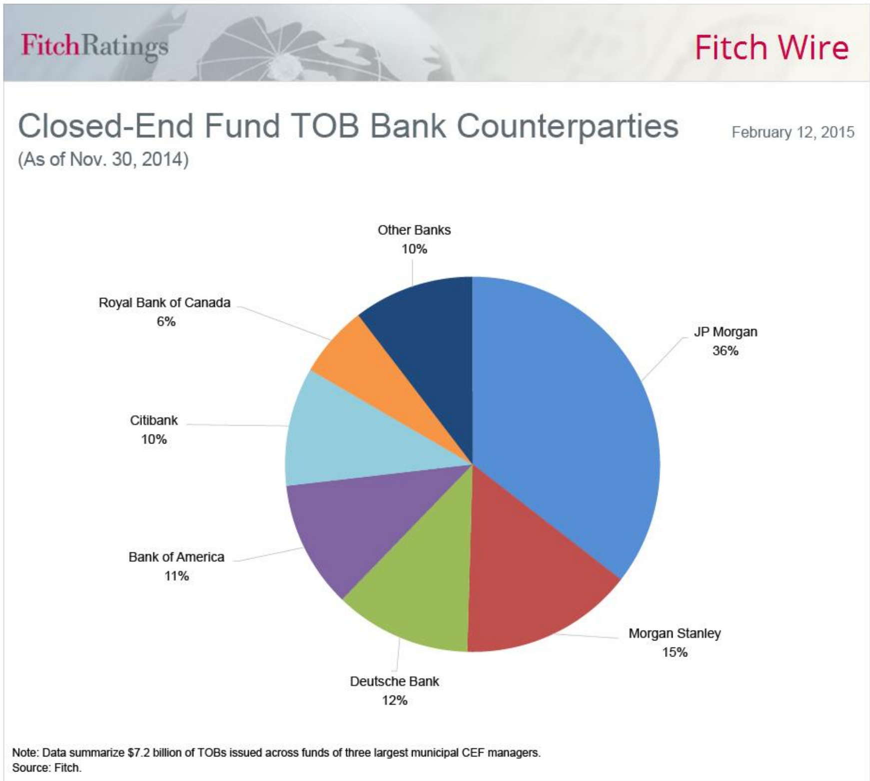
Authored by:
Yuriy Layvand, CFA
Director, Fund and Asset Management
+1 202 908-9191

Ian Rasmussen
Senior Director, Fund and Asset Management
+1 212 908-0232

Kellie Geressy-Nilsen
Senior Director
+1 212 908-9123

Fitch Ratings-New York-12 February 2015: The U.S. Federal Reserve board's extension of the period that banking entities have to comply with the covered funds section of the Volcker Rule until July 2017 provides some breathing room for the sponsored $20 billion non-proprietary tender option bond (TOB) market, according to Fitch Ratings. Approximately 50% of this segment of the TOB market is utilized by municipal closed-end funds (CEFs).

Fitch estimates that municipal CEFs utilize TOBs for an average of 31% of their total leverage needs given low borrowing costs (average 0.6%) and easy funding flexibility. CEFs issued approximately $10.1 billion in TOB floaters across 156 municipal funds in the sector as of Jan. 31, 2015, according to Fitch data. That number is up from $7.0 billion since May 2010 when the Volcker rule was first introduced. Fund managers have been re-leveraging since the financial crisis in anticipation that an alternative funding structure would come to market before the July 2015 deadline.



Click here for complete reading

Rating Actions

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

- Fitch Affirms Preferred Shares Issued by Nuveen Closed End Fund **– January 29, 2015**
- Fitch Rates Preferred Shares Issued by Nuveen Closed End Fund **– January 30, 2015**
- Fitch Affirms Invesco Value Municipal Income Trust VMTP Shares at 'AAA' **– December 15, 2014**

Outlook 2015

January 2015

In Brief:

- U.S. unemployment landscape improving – signs of a recovering economy
- 2015 marked by continued themes from 2014: Federal Reserve (Fed) rates, volatility and wages
- Influence of U.S. economic growth tied to global economic growth
- Closed-end funds can help investors reach global markets

Endurance Test: Volatility, Rates and Dollars

In 2015, the markets will continue testing our stamina. Fed rates, the U.S. dollar and wage growth top the core trends we expect to be monitoring over the next year. Volatility is another one. Investors worry that the financial markets could lag because interest rate uncertainty has triggered higher than normal volatility.

We believe this cautionary mindset will remain throughout 2015 and is unlikely to vanish anytime soon. Because the journey is long, we believe it is paramount to ward off short-term thinking that could deter investors from reaching long-term objectives.

The Federal Reserve's statement issued in December 2014 showed confidence that the U.S. economy is healing, albeit slowly. It pointed to an improved employment picture and revitalization of corporate investment, positive signs for investors as we enter the next year. Mix that with an evolving international landscape, which will change our global economy.

We understand that challenges remain. Neither a new monetary policy nor market improvement can be the quick fix we or most would hope for. But nothing great was ever built in one day. Keep in mind that the current environment is not our permanent setting and we plan for solutions that fit what you are seeking to achieve in the long-term, not just what looks good right now.

Reins on U.S. Rates

The nature of the U.S. economy's current footing suggests considerable underemployment, where a domestic workforce is unable to work as many hours as it can or wants. The Federal Reserve expects this to improve, quoting falling labor underutilization in its December 2014 statement. Outside labor, the Fed attributed less than stellar inflation rates to declining energy prices.

To the despair of many investors, the looming question has yet to be answered. That is, where is inflation really heading? Though interest rates have been declining for years, inflation remains low. It might take a long haul before we are able to rebound to pre-financial crisis growth. Even with an uptick in mid-2014, we believe economic growth will be challenged trying to return to 3%-plus average growth.

We expect the Fed to keep rates low for the foreseeable future. The reason is because we believe the Fed will try to curtail the potentially damaging effect of the U.S. getting stuck in a state of demand stagnation. If that were to happen, the U.S. may face an uphill battle trying to reverse direction. At least one rate could rise in 2015 if the Fed only needed to control supply stagnation.

Regardless of rates, we do not think it would be favorable in any circumstance for the U.S. to halt investments in building factories and hiring workers. Saving is good except when trying to rebuild, where too much saving could then create detrimental rather than positive effects.

Dollar Dynamic

Even with interest rate uncertainty, the U.S. has seen its share of progress. The U.S. dollar has strengthened against most major currencies this year, and in our view, the prospect of a declining dollar is remote.

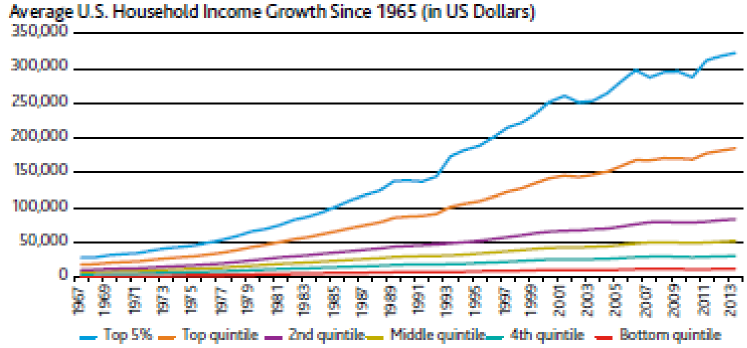
We believe that the U.S. will heal faster than its international counterparts, which could enable the central bank to increase interest rates in mid-2015. If this happens, it would mark the first time the U.S. central bank has raised rates since 2006. And it would represent the "normalization" of U.S. monetary policy after the end of quantitative easing, a financial stimulus program aimed at tempering the markets directly following the global financial crisis.

Growing Wage Pains

While quantitative easing has successfully moved tremendous wealth over from the public to the private sector, it has birthed another predicament. That is the lack of real wage growth. We believe this will remain a concern in 2015.

The average income of the top 5% of U.S. households went up 38% between 1989 and 2013 after adjusting for inflation, statistics show1. On its own, this number might signal a robust economy. Zooming out to include the remaining 95%, data shows that the real incomes of the wider population did not grow more than 10%, let alone make it to that point.

Average U.S. Household Income Growth Since 1965 (in US Dollars)



Source: Advisor Perspectives, 2015. Data from U.S. Census Bureau statistics, 1967 to 2013.
For illustrative purposes only.

Wealth distribution is even more unequal. The wealthiest 5% of U.S. households held 54% of total wealth in 1989, rising to 63% in 2013. Conversely, the lower half of U.S. households held 3% of total wealth in 1989, falling to 1% in 2013.

Whittling Wage Discord

We believe that today's wage disparity is caused by the growing dispersion of wage rates between high-wage and low-wage earners, with fewer earners making middle wages. Growing technology is among the various forces, which has benefitted high-paid workers but stressed pay prospects for mid-skilled and low-skilled labor.

Constrained access to education is likely the culprit of this. It boosts potential for those that can afford it but injures those that cannot. To address the discrepancy issue, U.S. Federal Reserve Chair Janet Yellen is pushing a four-step process to increase educational resources for children, protect affordable access to education, encourage entrepreneurship and use inter-generational wealth as a tool to help less wealthy households.

In its current state, long-term unemployment remains highly elevated with limited wage pressure. So far, there is little evidence of depressed participation rates, equating to a workforce that is still actively looking for work with a positive outlook on labor prospects.

Going Global Pros

While the lens has been focused on the U.S., with global investors mulling over the potential implications of interest rates and other federal policies, we encourage investors to maintain a wider perspective. Think global. We believe the success of the U.S. market will be heavily influenced by global economic growth, rather than what is happening only on U.S. soil.

At Aberdeen, we understand the inter-related web of our global and regional markets, drawing on the expertise of more than 2,000 experts across 33 offices in 25 countries.* We use this proprietary research and knowledge to find potential opportunities in our varying closed-end funds.

In equities, for example, the probability of outsized returns is minimal. But returns have not disappeared. With proper stock selection, returns can still be realized by finding creative solutions to add valuable long-term stocks to a portfolio. At Aberdeen, our bottom-up approach looks less at sectors and more at the fundamental strength of individual companies. This enables us to look past daily changes that may have less of an impact on the long-term growth of our holdings, specifically within our Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc. (ETF).

Small cap companies historically had lower liquidity and we believe often receive less attention than larger ones, so many tend to be relatively unknown. We estimate this could mean more mispriced stocks and greater opportunities for our investors.

Draw On Closed-End Funds

Except in extreme cases, we believe an investor can rarely over-diversify. This is paramount in an investment environment with abundant global opportunities. We see potential in emerging markets and believe that closed-end funds offer investors another channel for diversification.

Our closed-end funds span across emerging markets to harness the potential of Asia-Pacific and Latin America regions. Our Aberdeen Asia-Pacific Fund, Inc. (FAX), India Fund, Inc. (IFN), Aberdeen Indonesia Fund, Inc. (IF) and Asia Tigers Fund, Inc. (GRR) enable investors to diversify into the increasingly robust markets of Asian countries. We also offer an Israel Fund (ISL) for Western Asia.

Our U.S. closed-end fund range invests in 27 countries, as of November 2014. We are the largest manager of emerging market closed-end funds available globally by both value and number.2

Know Your Risks Before Investing

The following is important risk information about Closed-End Funds. Closed-end fund shares carry specific risks investors should understand:

- Closed-end funds trade on exchanges at prices that may be more or less than their NAVs.
- There is no guarantee that an investor can sell shares at a price greater than or equal to the purchase price.
- Closed-end funds often use leverage, which increases a fund's risk or volatility.
- Closed-end funds are permitted to invest in illiquid securities, which may increase risk.
- While expense ratios may be relatively low, investors must still pay brokerage commissions to purchase and sell shares for all closed-end funds. Investors, particularly those who trade frequently, should consider these additional expenses when reviewing the total costs associated with their investment. These are risks associated with trading costs.

Footsteps Forward

We invite you to learn more about how our Closed-End Funds can tie in with your investment objectives.

Speak with your financial advisor or wealth management professional and unlock the potential opportunities that investing in a closed-end fund brings.

Closed-End Fund review - Fourth Quarter 2014

January 26, 2015

Authored by:

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

2014 Overview

2014 was a solid year for diversified closed-end fund (CEF) investors. I specifically use the term "diversified" because whether I am writing about CEFs or giving a presentation about the CEF structure, I always encourage investors to diversify across several different categories of the CEF structure in order to attain proper diversification and exposure to many different asset classes. According to Morningstar, the average CEF was up 7.88% last year on a share price total return basis. As always, performance varied significantly depending on the category.

For example, two of the categories I advocated investors have exposure to in my commentary a year ago posted solid total returns. The decline in long-term interest rates, coupled with continued very low leverage cost, was particularly beneficial to long-duration municipal CEFs. Municipal CEFs were up on average 17.80% on a share price total return basis in 2014. Many equity-oriented CEF categories also performed well in 2014, particularly equity funds with an emphasis on U.S. equities. Indeed, according to Morningstar, the average domestic equity CEF was positive by 6.10% on a share price total return basis.

On the other side of the ledger, perhaps owing to the fact that long-term rates declined significantly in 2014 (the 10-Year U.S. Treasury began the year at 3.02% and ended the year at 2.17%, according to Bloomberg), and because the Federal Reserve remained "dovish" throughout the year keeping the federal funds rate at 0-0.25%, investors didn't feel the need to shorten durations among their fixed-income CEF positions.

In my view, fundamentals and valuations remain compelling for both the senior loan asset class and senior loan CEFs:

- Defaults on senior loans remain well below 1%, according to S&P;
- Senior loan prices ended the year at a discount to par at 95.34, as measured by the S&P/LSTA US Leveraged Loan Index;
- Inexpensive valuations on senior loan CEFs relative to historical averages, with the average senior loan CEF having ended the year at a discount to net asset value (NAV) of 9.04%. For comparison purposes, one-year ago (12/31/13) there was an average discount to NAV of 4.88%. Five years ago at year-end the average discount to NAV was 1.81%, and ten years ago, during a period the Federal Reserve was raising short-term rates, the year-end figure was a premium to NAV of 0.07%. (All figures from Morningstar.)

Despite these fundamentals, however, the average senior loan CEF ended the year with a decline of 1.93% (Morningstar, on a share price total return basis). Limited duration CEFs ended the year with only a slight gain of 0.56% on average (Morningstar).

While senior loan CEFs may have been out of favor during 2014, based on the solid fundamentals and compelling valuations as noted above, I continue to advocate they be part of a diversified CEF portfolio. Moreover, based on our Economic Team's forecast for the Federal Reserve to begin raising the Federal Funds rate during the middle part of the year, as well as communications from the Fed itself that it could begin raising rates in 2015, floating-rate senior loan CEFs, as well as limited duration CEFs (which were out of favor in 2014), could become more in favor with investors in 2015 as they begin to shorten durations in their portfolios.

Outlook and Strategy for 2015: Continue to Blend Non-Correlated Categories

As 2015 commences, the backdrop continues to be a good one for many categories of the CEF marketplace, in my opinion. The average discount to NAV was 7.33% as of 12/31/14 (Morningstar) and remains wider than historical averages. Furthermore, leverage costs continue to be very low as the Fed continues to keep the Federal Funds rate at 0-0.25%. This helps the roughly 70% of the CEF universe that employs leverage to earn a generous spread between borrowing cost and the rates they can earn on borrowed proceeds. Indeed, this is part of the reason the average CEF had a very compelling distribution rate of 6.72% based on share price (Morningstar as of 12/31/14). Lastly, continued "plow-horse" (as our Economic's Team has phrased it) economic growth in the United States, coupled with estimates for high single-digit EPS growth for the S&P 500, also provides a solid backdrop for equity-oriented CEFs in 2015 (particularly those focused on U.S. equities), in my opinion.

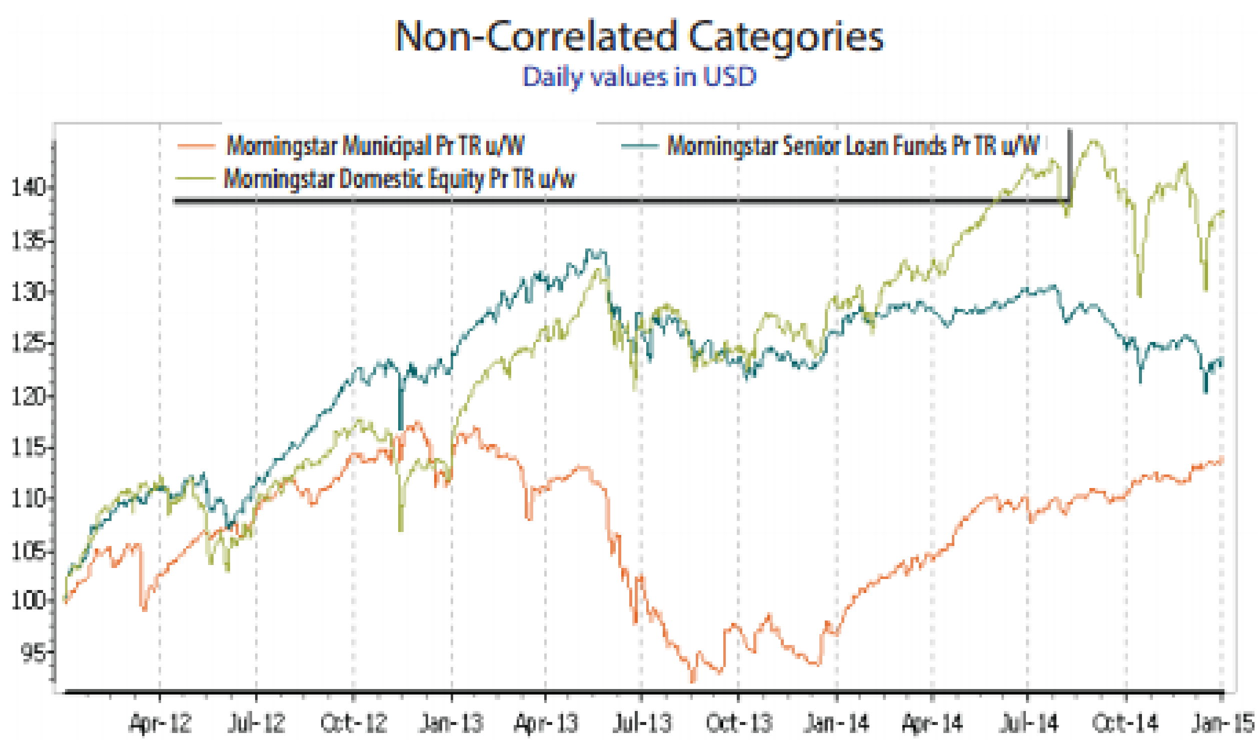
My biggest concern as it relates to investing in CEFs in 2015 is that after six years of the Federal Funds rate at 0-0.25%, and after a continued drop in long-term interest rates, investors have become too complacent as it relates to interest rate risk among their CEF positions. This is part of the reason I advocated investors "Fix the Roof While the Sun is Out" back on October 24th of last year and begin the process of shifting CEF portfolios well in advance of what our Economic's Team is forecasting with a potential rise in both short- and long-term interest rates by the end of the year. (www.ftportfolios.com/Commentary/Insights/2014/10/24/third-quarter-2014)

To that end, I continue to be an advocate for the "balanced, three-pronged approach to investing in CEFs" that I have written about previously, including in this 2012 commentary piece:
www.ftportfolios.com/Commentary/Insights/2012/7/24/second-quarter-2012

However, while I continue to believe this blend should primarily include domestic equity CEFs, senior loan and limited duration multi-sector funds and municipal CEFs, given our viewpoint that both short- and long-term interest rates could be headed higher by the end of 2015, I prefer CEF investors lighten up on their leveraged municipal CEFs in favor of non-levered municipal CEFs which tend to have less duration risk while still providing attractive tax-free income, as well as important balance in a portfolio.

In my view, the three-year chart below clearly illustrates the benefit of having employed this balanced, threepronged approach to investing in CEFs. As you can see by looking at the chart, all three of these categories: domestic equity CEFs, municipal CEF and senior loan CEFs have produced positive share price total returns (Morningstar) from January 1, 2012 to January 1, 2015. However, while the general trend encompassing the three-year period has been positive on a total return basis for all three categories, these categories have oftentimes not been correlated to one another and, therefore, they have often moved in different directions. In my view, this highlights the benefit of diversifying across different categories of the CEF marketplace, particularly when they are oftentimes noncorrelated categories. An investor has not only been able to generate a compelling income stream when blending these three categories to create a more diversified, balanced portfolio of CEFs, but also had less volatility relative than if they only owned one of these categories alone.

In short, based on three key points including our outlook for continued growth in the U.S. economy and earnings growth for the S&P 500, the potential for short- and long-term rates to move higher by the end of the year (and therefore a concern about duration risk among fixed-income CEFs) and still compelling fundamentals and valuations, I believe the three core parts of an investor's CEF positions in 2015 should be domestic equity CEFs, senior loan and limited duration multi sector CEFs and non-leveraged municipal CEFs. Other categories that I also believe could be used more as satellite CEF positions than core positions (but still offer compelling characteristics) include: preferred CEFs that have an emphasis specifically on fixed-to floating-rate preferreds (as they provide compelling income with less duration risk than preferred CEFs that only focus on perpetual preferreds); convertible CEFs (compelling average distribution rates of 8.05% according to Morningstar as of 12/31/2014 and the potential to participate in some of the upside equities could provide); and MLP CEFs for the distribution growth they historically provide.



Click here for complete reading

Two Trillion Dollars and Counting…

January 2015

2014 was a record-setting year for US-listed ETFs, with assets exceeding $2 trillion by year end, according to Morningstar. This increase of approximately 18% versus the end of 2013 was fueled by record net inflows, which totaled an estimated $241.9 billion.1 As usual, ETF net flows were not equally distributed among major asset categories. Results for the fourth quarter were generally in line with the full year, as 3 of the top 4 categories for inflows were equity-related (US Equity, Sector Equity, International Equity), while the Taxable Bond category received the second most inflows during the fourth quarter and the full year. Also following the trend established during most of 2014, the Commodities ETF category had the largest net outflows. (See Table 1 below)

The First Trust family of ETFs also reached a number of notable milestones in 2014.

- Supported by net inflows totaling $11.7 billion, First Trust grew to become the 6th largest sponsor of US-listed ETFs.
- The firm's ETF assets under management had the highest percentage gain among the 15 largest ETF sponsors for the second consecutive year, increasing by 68.4%.
- Assets under management for the AlphaDEX family of ETFs reached $17.5 billion.
- The First Trust Dorsey Wright Focus 5 ETF (FV) was the ETF industry's most successful launch in 2014, growing to $1.3 billion in less than 10 months.
- The First Trust North American Energy Infrastructure Fund (EMLP) became the first actively managed equity ETF to exceed $1 billion in assets under management.

Investing in Energy Infrastructure with ETFs (in light of volatile energy prices)

Energy infrastructure has been an exceptionally popular

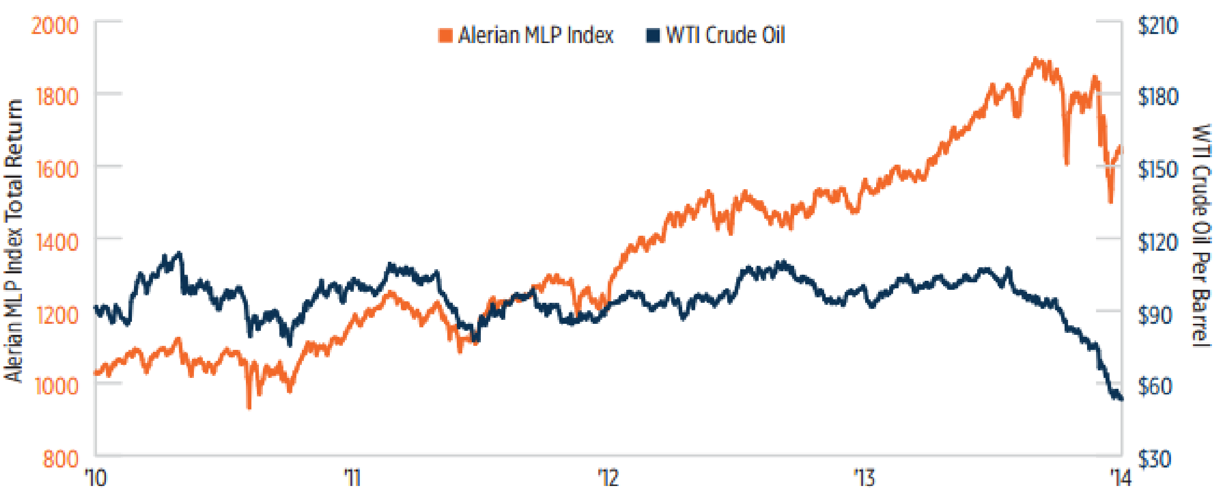
Authored by:

Ryan O. Issakainen, CFA
Senior Vice President
Exchange Traded Fund Strategist
First Trust

Table 1

ETF Asset Category	Net Asset Flows - Q4 2014	Net Asset Flows - Full Year 2014
US Equity	$70,870,121,761	$96,791,173,905
Taxable Bond	$23,742,925,716	$50,070,805,438
Sector Equity	$19,896,179,607	$42,923,186,639
International Equity	$4,630,614,373	$43,198,858,122
Municipal Bond	$1,112,513,610	$3,012,220,554
Allocation	$696,144,115	$2,811,979,860
Alternative	$407,002,005	$4,154,564,464
Commodities	($649,392,165)	($1,505,731,075)

Chart 1: Alerian MLP Index and WTI Crude Oil Spot Price (2011-2014)



Source: Bloomberg. An index cannot be purchased directly by investors. Past performance is no guarantee of future results. This chart is for illustrative purposes only and not indicative of any actual investment.

investment theme in recent years, drawing on investors' interest in the North American energy production boom, along with their desire to generate income. For many investors, master limited partnership (MLP) index ETFs have been the vehicle of choice to gain exposure to this theme. According to Morningstar, Energy MLP ETFs gathered an estimated $326 million per month in net inflows between 2011 and 2014. During most of this stretch, crude oil prices were relatively stable, and many MLP indexes performed quite well. (See Chart 1 below)

However, a nearly 50% decline in the spot price of WTI crude oil during the second half of 2014 exposed the riskiness of certain MLP index constituents, while also reinforcing what we believe are three important principles for investing in energy infrastructure, which are taken into account by the First Trust North American Energy Infrastructure Fund (EMLP).

First, a company is not necessarily an attractive energy infrastructure investment simply because it's formed as an MLP. Second, there are a variety of publically traded companies that do make attractive energy infrastructure investments, which are not structured as MLPs. And lastly, "pure play" exposure to MLPs may be disadvantageous within an ETF, since these funds are subject to an additional layer of taxation that may substantially reduce investor returns over time.

Not All MLPs Are Attractive Energy Infrastructure Investments

Master limited partnerships are generally required by their partnership agreements to distribute all available cash flows to investors. For some MLPs, cash flows come primarily from operating fee-based businesses, such as midstream pipeline assets. Since the construction of pipeline infrastructure is time-consuming, as well as quite capital intensive, the barriers to entry for potential competitors are high. As a result, users of these pipelines are often willing to sign long-term contracts, with fees indexed to inflation, in order to lock in prices. For such MLPs, cash flows depend more on the quantity of crude oil transported (for example), than its price. It's this type of MLP that fits well into the strategy employed by EMLP.

Not all MLPs, however, operate non-cyclical businesses, such as midstream pipelines. For example, some MLPs generate most of their cash flows from exploration & production (E&P) of oil and natural gas. As one might expect, returns for these MLPs tend to be much more sensitive to oil and natural gas price fluctuations, subjecting investors to a greater risk that future distributions might be cut as a result of declining prices. This risk was reflected in the performance of a composite of E&P MLPs from the Alerian MLP Index, which declined by 58.8% during the second half of 2014, compared to the broad Alerian MLP index, which declined 9.9%.2

Not All Attractive Energy Infrastructure Investments are Formed as MLPs

We believe that the universe of attractive, publically traded, energy infrastructure investments is not limited to companies that have chosen to operate as MLPs. The actively managed strategy employed by EMLP seeks companies that operate natural or regulated monopolies, with steady allowed rates of return, which are typically non-cyclical. Moreover, the strategy favors companies with relatively high payout ratios. For mature businesses with relatively low growth opportunities, this is intended to force capital discipline. In addition to MLPs, these characteristics can be found among certain utilities, pipeline C-corporations, Canadian infrastructure corporations, and even a few real estate investment trusts (REITs). Such "non-MLP" stocks are included in the universe in which EMLP invests.

The Additional Tax Burden of "Pure Play" MLP ETFs May Substantially Reduce Investor Returns

An unusual attribute of "pure-play" MLP ETFs (which invest solely in MLPs) is that, unlike the vast majority of ETFs, these funds are subject to an additional layer of corporate income taxes. Ironically, this effectively cancels out one of the features of MLPs that investors find most attractive: namely, that MLP cash flows typically flow through to investors without the MLP paying corporate income taxes. Assuming a 35% federal corporate income tax rate, a hypothetical 10% total return for the underlying holdings of a "pure play" MLP ETF would result in a roughly 6.5% return for fund investors (before fund expenses since the fund itself will have an expense for income taxes). This additional layer of taxation is avoided by ETFs that limit MLP allocations to 25%, including EMLP.

What's Next?

2014 provided a good reminder of how difficult it is to accurately forecast crude oil prices. Like any commodity, prices are ultimately determined by supply and demand; but, more so than most other commodities, free market forces are heavily influenced by both geopolitics and government regulations. As global oil markets seek equilibrium in the months ahead, we believe investors should be prepared for continued volatility. Moreover, ETF investors should evaluate the extent to which certain funds may be exposed to future volatility in the price of oil and natural gas. For those seeking exposure to non-cyclical energy infrastructure investments, we believe EMLP may be a valuable alternative to MLP index ETFs.

1 Morningstar Direct. Includes all US-listed exchange-traded funds, exchange-traded notes and other exchange-traded products.

2 Bloomberg, Energy Income Partners. Components of E&P MLP Index (Oil & Gas) Ticker symbols: LINE, BBEP, VNR, EVEP, LGCY, ARP, MEMP, QRE, DMLP, LRE, MCEP, and NSLP. The composite is capitalization weighted. The Alerian MLP Index is a floatadjusted, capitalization-weighted composite of the 50 most prominent energy Master Limited Partnerships (MLPs). Indexes are unmanaged and an investor cannot invest directly in an index. This example is for illustrative purposes only and is not indicative of the fund. Past performance is no guarantee of future results.

Past performance is not a guarantee of future results and there is no assurance that the events or improvements mentioned herein will continue.

Click here for complete reading

Xpert Spotlight: Currency Hedged ETFs: Offering a world of opportunity for U.S. investors in today's market

January 2015

Authored by:

Dodd Kittsley
Director, head of ETF strategy
Deutsche Asset & Wealth Management

Keeping in mind the repercussions of a strengthening U.S. dollar in 2014, investors may want to consider a broader array of options to access desired exposure to international markets while potentially minimizing the impact of currency fluctuations on international equity returns.

Perhaps one of 2014's most important lessons was the significant impact that currency fluctuations can have on both the risk and return of international equity investments. Although most international equity indices posted positive returns for the year, U.S. investors at large had a very different experience. Because many access foreign markets through unhedged investments in mutual funds, ETFs and ADRs, they found their return last year more than completely wiped out by currency losses.

Consider potentially minimizing these currency losses using Deutsche X-trackers currency hedged ETFs, giving investors the tools to access international equities according to their preference, whether it be broad, by region, by market size, even down to individual countries.

Currency Hedged ETFs: Offering a world of opportunity for US investors in today's market

Navigating the 2015 investment landscape

While respectable gains were more than offset by losses in currencies, these losses were often accompanied with higher volatility. Figure 1 compares the performance of several equity markets in local currency and U.S. dollar terms. Local currency returns simply reflect the performance of the underlying stocks, while U.S. dollar returns reflect both stock returns and the change in the exchange rate between the U.S. dollar and the relevant foreign currencies. With many of the driving forces behind dollar strength accelerating into 2015, investors should keep last year's lessons in mind as they consider their international equity allocations.

When making an investment in international equities, investors are taking positions on two asset types: stocks, and local currencies. Foreign stock investments for U.S. investors require the exchange of dollars for foreign currencies in order to purchase equities abroad, which are then converted back to US dollars when sold. This creates an implicit short position in the US dollar—a bet, perhaps unintended for many, that the value of the dollar will fall against the local currency. Just as the value of equities changes over time, so does the value of currencies as seen in years like 2014. When the dollar rallied against almost every foreign currency, those euros or yen no longer bought back as many dollars as they did initially. This trend served as a meaningful headwind to unhedged investments.

Figure 1: The impact of currency exposure on equity returns in 2014

Index	Local returns	U.S. dollar returns	Difference
MSCI ACWI ex-USA	5.2%	-3.9%	-9.0%
MSCI EAFE	5.7%	-4.9%	-10.6%
MSCI Emerging Markets	2.1%	-2.2%	-4.3%
MSCI Europe	4.8%	-6.2%	-10.9%
MSCI EMU IMI	4.5%	-8.5%	-13.0%
MSCI Asia Pacific ex-Japan	5.4%	2.8%	-2.6%
MSCI Japan	8.5%	-4.0%	-12.5%
MSCI UK	0.3%	-5.4%	-5.7%
MSCI Germany	2.4%	-10.4%	-12.8%
MSCI Korea 25/50	-8.9%	-10.8%	-2.0%
MSCI Mexico IMI 25/50	-1.0%	-9.8%	-8.8%
MSCI Brazil	-11.4%	-14.0%	-2.6%

Source: MSCI. Data as of 12/31/14. Past performance does not guarantee future results.

We believe the trend of dollar strength will continue over the coming years, driven by the difference in economic growth and central bank policy between the U.S. and much of the rest of the world. The U.S. is further along in its recovery, evidenced by encouraging economic data—and capital growth. Tightening by the Fed with potential rate hikes contrasts with the expansionary monetary policy in Europe and Japan, sending those central bank balance sheets in very different directions. When the Fed does eventually raise rates, diverging policies even more, capital flows should favor U.S. Treasuries over lower-yielding German Bunds and other sovereign debt, strengthening the U.S. dollar even further.

Historical context is also important. As the dollar bull cycle enters its fourth year, we should also note that past dollar cycles have lasted seven to ten years. While the trade weighted dollar (value of the dollar relative to a basket of major foreign currencies) has appreciated 14.2% over the past four years, it remains far below its historical highs. In fact, the U.S. dollar depreciated more than 32.3% in the preceding period of 2002 to 2010, leaving much room for recovery.

Risk management is another great reason to consider currency hedging. Currencies often increase the overall volatility of international equity investments by introducing another asset class's risk and return. In 2014, most currency hedged investments were meaningfully less volatile than their unhedged counterparts, with the exception of Japan.

As an illustration, Figure 2 shows the standard deviation of returns for different regional equity markets in local currency and U.S. dollar terms in 2014. The reduced volatility achieved by neutralizing the impact of currencies was significant to the point of providing attractive risk-adjusted returns.

Figure 2: The impact of currency exposure on volatility in 2014

Index	Standard Deviation	U.S. dollar standard deviation	Difference
MSCI ACWI ex-USA	6.5%	10.1%	3.5%
MSCI EAFE	6.9%	9.7%	2.8%
MSCI Emerging Markets	9.2%	13.6%	4.4%
MSCI Europe	8.3%	12.1%	3.8%
MSCI EMU IMI	9.4%	13.5%	4.1%
MSCI Asia Pacific ex-Japan	9.0%	12.5%	3.4%
MSCI Japan	12.7%	9.1%	-3.6%
MSCI UK	9.7%	12.3%	2.7%
MSCI Germany	10.8%	14.5%	3.7%
MSCI Korea 25/50	9.1%	12.3%	3.2%
MSCI Mexico IMI 25/50	10.8%	15.5%	4.8%
MSCI Brazil	21.8%	31.8%	10.0%

Source: MSCI. Data as of 12/31/14. Past performance does not guarantee future results

A full suite covering a variety of potential international opportunities

Investors participating in international equity markets may want to consider the Deutsche X-trackers suite of currency hedged ETFs, which offer a variety of potential solutions from broad core international holdings to targeted investments in specific countries. Our view is that investors should have the option to invest in foreign securities while controlling for the risks associated with currency movements. With this philosophy in mind, the currency hedged suite of Deutsche X-trackers ETFs tracks widely-followed MSCI benchmarks with a currency hedge.

Seen below, MSCI Indexes offer broad diversification, targeting 85% of the market capitalization of underlying regions and countries, with an estimated $9.5 trillion of investor money benchmarked globally. Moreover, these indexes are modular and can be used as building blocks in constructing portfolios. For example, some investors prefer to invest in single core holdings, while others may prefer bifurcating developed and emerging markets or taking a regional/country approach. Regardless of one's strategy, currency hedged solutions are available as tools for investors to control currency risk. Figure 3 outlines a breakdown of the relative market cap weights of MSCI Indexes.

Core international equity exposure

The Deutsche X-trackers MSCI All World ex US Hedged Equity ETF (DBAW) offers the broadest and most diversified exposure among all currency hedged ETFs. It is designed to track the MSCI All Country World ex-US index, which is comprised of nearly 2,500 stocks across 45 developed and emerging market countries. The index provides exposure to 47% of the world's market capitalization, making it a potential international equity core holding. As with all X-trackers currency hedged ETFs, the fund's positions in currency forward contracts may help mitigate the potentially negative impact of a stronger US dollar on the return and risk realized by investors- leaving exposure to just the performance of the stocks.

Developed and emerging markets

For investors who prefer to invest in developed and emerging international equities separately, Deutsche X-trackers MSCI EAFE Hedged Equity ETF (DBEF) and Deutsche X-trackers MSCI Emerging Markets Hedged Equity ETF (DBEM) offer currency hedged options to the widely used MSCI EAFE and MSCI EM Indexes. These indexes disaggregate the MSCI ACWI ex-US Index into developed markets, which make up approximately 71% of all international equity markets, and emerging markets, which comprise 22%. The remaining 7% of the world's market capitalization outside the U.S. resides in Canada, which is not included in the MSCI EAFE Index.

Major regions and countries

Europe is the largest region within developed markets. Its 15 countries account for 65% of the market capitalization of developed markets, as measured by the MSCI EAFE Index and can be easily accessed through Deutsche X-trackers MSCI Europe Hedged Equity ETF (DBEU).

Within Europe itself, investors may desire a more targeted play on the ten countries in the European Monetary Union. Newly-launched Deutsche X-trackers MSCI EMU Hedged Equity ETF (DBEZ) tracks the MSCI EMU IMI Index, which accounts for about 42% of broader Europe's market capitalization and excludes nations such as the UK, Switzerland and countries in the Nordic region.

The opinions and forecasts expressed herein by the ETF strategists do not necessarily reflect those of DeAWM Distributors, are as of 1/15/15 and may not come to pass.

Click here for complete reading

The Growing Importance of Infrastructure: Fueling the Backbone of the Global Economy

January 2015

Most of us are not aware of the critical role infrastructure plays in our everyday lives. But these essential services are all around us. We heat homes with natural gas, which is transported through a vast network of pipelines. Our cell phones rely on wireless towers, while electricity powers critical data centers. Wireless communication is also essential to global commerce, which ultimately moves goods through a global transportation network that includes railroads, marine ports and airports. These are just a few examples of how infrastructure forms the backbone of the global economy.

Investors can access the portfolio diversification of infrastructure through a wide variety of mutual funds, exchange-traded funds or shares of publicly traded companies. In the following Q&A, Ben Morton, Senior Vice President and Portfolio Manager of Cohen & Steers' infrastructure and MLP portfolios, puts the opportunities of this growing asset class into perspective.

Ben, let's begin by defining the key areas of investment opportunity for an investment manager focused on infrastructure. How do you define this universe?

The essential services provided by infrastructure businesses touch just about every aspect of the global economy. For the most part, we focus on the business groups listed below within the transportation, energy, utilities and communications sectors—not just here in the U.S., but across the globe. The businesses behind transportation, energy, utilities and communications seem to be very diverse. What characteristics do they share—in other words, what are the elements that tie them together as an investable asset class?

First of all, most infrastructure assets are long-lived. And often, they are engaged in businesses with high barriers to entry, such as government regulation, large capital requirements and zoning restrictions. For this reason, infrastructure businesses tend to face less competition than most other industries.

As mentioned earlier, infrastructure assets provide essential services to businesses and consumers, often with regulated or contracted revenues. Given this relative stability, the cash flow they generate tends to be predictable. And within some subsectors, this cash flow has a direct or indirect link to inflation, such as the annual toll adjustments granted to toll road operators.

What are the drivers of investment opportunity that underlie global infrastructure?

To some degree, that depends on whether you are investing in higher-growth, emerging-market economies or more established, developed economies.

- Within emerging markets, the key drivers of infrastructure spending are generally tied to demographic shifts—economies with younger populations, higher birth rates and a rising middle-class that is rapidly urbanizing. These trends, in turn, are driving the demand for governments and private enterprise to build out basic services.
- In more developed economies, the opportunity is focused more on the need to replace obsolete or deteriorating assets. This is especially true in the U.S., where infrastructure spending has been on the decline for many years. To put this in perspective, every five years the American Society of Civil Engineers compiles a report card on the status of U.S. infrastructure—everything from airports, to bridges, rails, roads and energy. In the most recent study, released in 2014, they assigned the U.S. an overall grade of D+, while identifying $3.6 trillion in spending needs by the year 2020.

Some examples of how these trends turn into opportunity are highlighted in the table below:

Exhibit 1: Global Infrastructure Spending: A Tale of Two Markets

	Developed Economies		Emerging Market Economies	
Global Trends	**North American Energy Trends**	**Europe's "Decarbonization"**	**Population Growth**	**Urbanization**
Examples	Energy production is at record levels; low prices are opening up new sources of demand.	The EU[a] has committed to reduce greenhouse gas emissions by 20% from 1990 levels by 2020 and generate 20% of energy from renewables.	By 2050, the world's global population is expected to grow from 7.2 to 9.6 billion. Much of this growth will be in emerging markets.	Nowhere is urbanization more pronounced than in China, which by 2025, is expected to add 350 million urban dwellers.
Opportunities	Transporting commodities from the wellhead to the refiner and end-user requires substantial new infrastructure investment.	The construction of wind and solar plants will require new grid connections, and rail infrastructure should benefit from the promotion of freight trains over trucks or ships.	A rising world population, more concentrated in urban areas, will drive the infrastructure build-out of mass transportation, energy transmission, clean water and modern communications.	

Sources: United Nations, INGAA and EU Commission.

There is no guarantee that any market forecast set forth in this commentary will be realized. The views and opinions are as of the date of publication and are subject to change without notice.

(a) EU is the European Union, which includes 28 member states.

What advice would you give investors considering an investment in global infrastructure?

We believe that broad diversification—both by geography and sub-sector—are critical to successful investing in infrastructure. One reason is that investment opportunities tend to vary by region. For example, infrastructure in the U.S. is concentrated in pipelines, wireless towers and utilities. But when we invest in Europe and Asia, we have broader access to transportation assets owned by exchange-listed companies—toll roads, airports and marine ports. Also, not all countries are at the same stage of the global economic cycle, and investing in each country comes with distinct regulatory and political implications. So, we'd suggest a multi-sector, global approach to enhance portfolio diversification and flexibility.

In closing, we believe that adding global listed infrastructure to a portfolio can provide diversification relative to other asset classes, and potentially enhance overall returns. We illustrate below with a summary of one-, three- and five-year total returns of global listed infrastructure, global stocks and global bonds. In the last row, we show how adding a 10% allocation of global listed infrastructure to a global portfolio allocated 55% to stocks and 35% to bonds would have performed over the same periods.

COHEN & STEERS

Exhibit 2: Asset Class Performance—Global Stocks, Bonds and Listed Infrastructure
Annualized Total Returns, December 31, 2009–December 31, 2014

	One Year	Three Years	Five Years
Global Stocks	4.9%	15.5%	10.2%
Global Bonds	0.6%	0.7%	2.6%
Global Listed Infrastructure	12.8%	13.8%	8.9%
55% Global Stocks / 35% Global Bonds / 10% Global Listed Infrastructure	4.2%	10.1%	7.6%

At December 31, 2014. Source: Bloomberg and Cohen & Steers.

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

The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. Stocks are represented by the MSCI World Index. Bonds are represented by the Barclays Capital Global Aggregate Bond Index. Global listed infrastructure is represented by the UBS Global 50/50 Infrastructure & Utilities Index.

The views and opinions in the preceding commentary are as of the date of publication and are subject to change without notice. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice, is not intended to predict or depict performance of any investment and does not constitute a recommendation or an offer for a particular security. We consider the information in this presentation to be accurate, but we do not represent that it is complete or should be relied upon as the sole source of suitability for investment. There is no guarantee that any historical trend illustrated in this commentary will be repeated in the future, and there is no way to predict precisely when such a trend will begin. There is no guarantee that a market forecast made in this commentary will be realized.

What Sets Investments in Infrastructure Apart?

Long-lived Real Assets
Infrastructure assets tend to have multi-decade lifespans, providing long-term cash-flow streams to investors.

High Barriers to Entry
Infrastructure businesses tend to face less competition than most other industries, given significant zoning restrictions, large capital requirements and, in some cases, exclusivity rights that make it generally prohibitive for others to enter the market.

Predictable Cash Flows
Infrastructure businesses typically provide essential services with regulated or contracted revenues providing cash flow predictability.

Economic and Inflation Sensitivity
Depending on the infrastructure subsector, cash flows and asset values may have direct or indirect links to inflation, such as concession agreements that provide for rate increases tied to local inflation. Infrastructure revenues may also benefit from long-term economic growth due to rising throughput.

Click here for complete reading

Market Videos

Click on image to access video

February 25, 2015
Jeff Gundlach of DoubleLine: *Gundlach Launches ETF*

February 10, 2015
Anne Kritzmire of Nuveen Investments: *Explanation of Closed-End Funds*

February 11, 2015
Deborah Fuhr of ETFGI: *Strong Start for Global ETF Inflows*

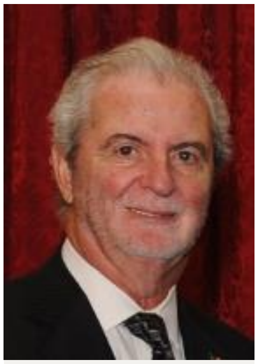
February 2, 2015
Bob Carey of First Trust: *A Macro View of Stocks*

February 11, 2015
John Cole Scott of Closed-End Fund Advisors: *Fourth Quarter 2014 Earnings Call and BDC Outlook for 2015*

January 23, 2015
Alex Bryan of Morningstar: *A Small-Cap Dividend ETF With a Value Tilt*

Navigating the Oil Slick

January 2015



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

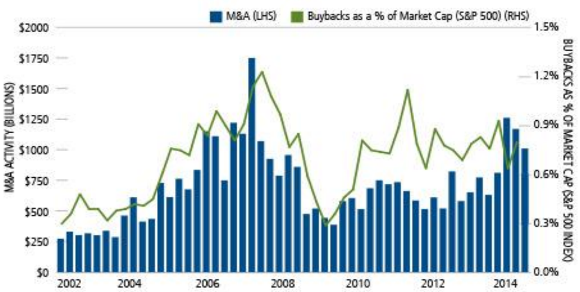
Markets have begun 2015 on a volatile note, as plummeting commodity prices exacerbate fears of slowing global growth. We remain bullish on U.S. equities for 2015 and expect U.S. GDP growth of 2.5%–3.0%. Global GDP will likely be slower, expanding 2.0%–2.5% in 2015, reflecting euro zone weakness as well as more measured and bifurcated growth in the emerging markets.

Investors should be prepared for elevated volatility as markets work through the impact of slowing global growth and price declines in oil and other commodities. Political uncertainties will likely foment turmoil in the markets—including continued debate between the European Central Bank (ECB) and German finance ministers, renewed concerns about Greece, squabbles within OPEC, and economic deterioration in Russia. Given economic weakness outside the U.S., a strong dollar and weak oil prices, the Federal Reserve is likely to forestall interest rate increases until late in the year, which should keep the yield of the 10-year Treasury bond in the 1.50%–2.25% range for 2015.

The good news? Deflationary pressures caused by plunging commodity prices will likely allow the Fed to “be patient” in pushing up short-term rates. This, combined with weak growth in Europe, has caused the 10-year Treasury to fall back below 2%, pushing spreads between equities and bonds close to historic high. As U.S. companies regain confidence that U.S. economic growth will strengthen, we believe M&A and share buyback activity will put a floor on valuations, allowing markets to move still higher (Figure 1). Our outlook is for the S&P 500 Index to hit 2,250 by year-end 2015, which would equate to a 14% return, including dividends.

FIGURE 1. M&A AND BUYBACKS SUPPORT EQUITY VALUATIONS

FIRST QUARTER 2002 THROUGH FOURTH QUARTER 2014*



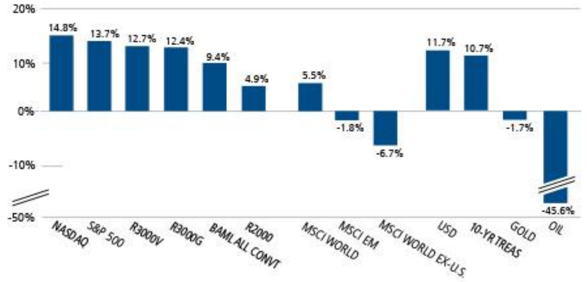
Past performance is no guarantee of future results. Sources: M&A Activity, Bloomberg; buybacks as % of market capitalization, Goldman Sachs using data from Bloomberg and Birinyi Associates.
*Buybacks through 3Q14.

Market Review

The U.S. markets led in 2014, with the S&P 500 Index returning 13.7% and the MSCI World ex-U.S. Index falling -6.7%. U.S. equities and convertibles benefited from still-accommodative policy and better economic fundamentals in the U.S., while a global quest for income and macro uncertainties supported the 10-year Treasury (Figures 2 and 3).

FIGURE 2. DESPITE VOLATILITY, THE U.S. BULL MARKET CONTINUED IN 2014

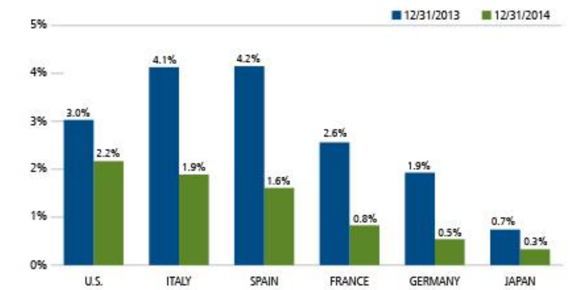
MARKET PERFORMANCE, YTD TOTAL RETURNS THROUGH 12/31/14



Past performance is no guarantee of future results. Source: Bloomberg.

FIGURE 3. GLOBAL UNCERTAINTIES AND A QUEST FOR YIELD COMBINE TO KEEP U.S. RATES LOW

10-YEAR SOVEREIGN YIELD



Source: Bloomberg.

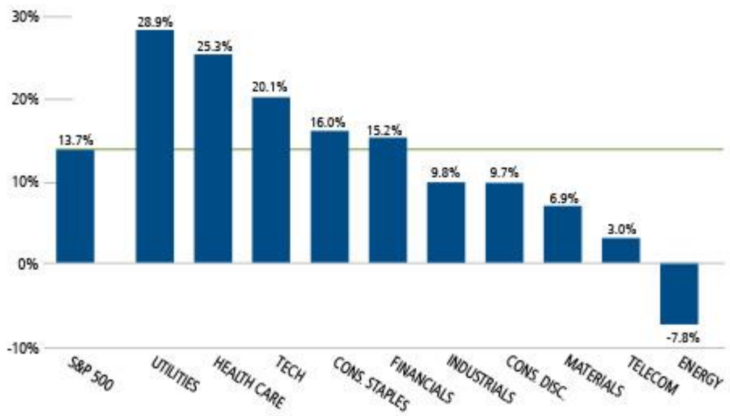
Still, the adage “every bull market climbs a wall of worry” certainly held true as U.S. stocks surmounted a range of concerns over the course of 2014, starting with Chair Yellen’s comments that interest rates might rise sooner than anticipated and fears that Europe would slip back into recession. As the year progressed, renewed concerns about the Fed’s timeline for raising rates created more headwinds, as did Russia’s bellicose stance toward Ukraine. The uncertainty around Russia and sanctions against the country took a particular toll on the euro zone as business and consumer confidence weakened. During the fourth quarter, markets were spooked by the potential for an Ebola pandemic and anxiety about declining oil prices as OPEC kept production high in the face of mounting global growth concerns.

Ultimately, optimism about global recovery, accommodative monetary policy—particularly in Europe—and solid corporate earnings growth won out in the U.S. market. Strong merger-and-acquisitions and buyback activity also provided key support to the market, as low corporate borrowing costs and high earnings yields made M&A and buybacks highly accretive to companies.

Against a backdrop of "risk-on, risk-off" vacillations, sector performance lacked a discernable pattern between traditional growth and defensive sectors. In a market with no clear direction, utilities led within the S&P 500 Index, followed by health care, technology and consumer staples (Figure 4). Within the growth stock universe, the markets rewarded names with low P/Es and the lowest expected earnings-per-share growth (Figure 5), as well as those with high dividend yields and large market caps.

FIGURE 4. MARKET LEADERSHIP REFLECTED "RISK-ON, RISK-OFF" ENVIRONMENT

S&P 500 SECTOR PERFORMANCE, YTD TOTAL RETURNS THROUGH 12/31/14



Past performance is no guarantee of future results. Source: Bloomberg.

FIGURE 5. WHAT WORKED IN 2014? LOW P/E AND SLOW GROWTH NAMES

QUINTILE RANKS WITHIN RUSSELL 3000 GROWTH INDEX, 2014

Past performance is no guarantee of future results. Source: S&P Capital IQ. Data as of 12/31/14. P/E is represented by the 1-yr forward P/E. Long-term EPS growth is represented by the 3- to 5-year earnings growth estimate.

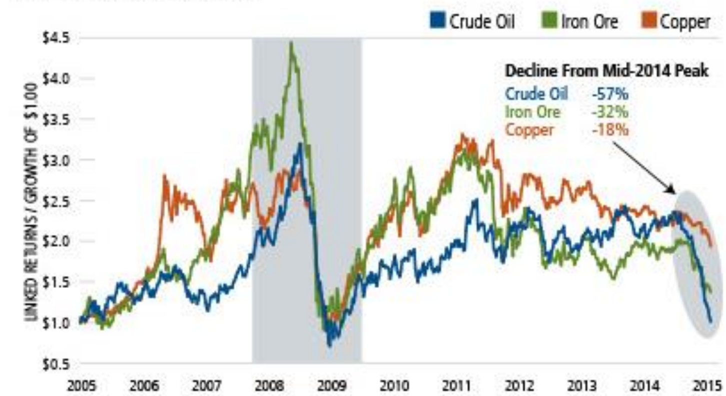
Outlook

In addition to oil, other commodity prices have tumbled (Figure 6), suggesting that we're seeing more than the impact of dissent within OPEC. Even so, we believe the global economy can continue to grow, albeit at a measured and uneven pace. Among major economies, conditions look healthiest in the United States. Plunging commodity prices may well be a harbinger of global economic weakness, but the recent strength in job growth, auto sales, and housing (Figures 7, 8 and 9) suggest that a U.S. recession is not imminent. Given the Fed's willingness to take a "patient" approach in the face of falling energy prices and weakening global economic conditions, we expect continued accommodative monetary policy, with short-term interest rates staying put throughout most of 2015.

FIGURE 6. PARALLELS BETWEEN OIL, IRON AND COPPER

JAN 2005 – JAN 2015

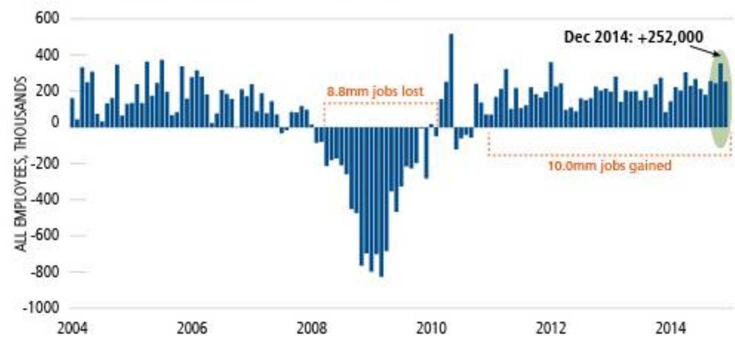
Recession indicated by shaded area



Source: Bloomberg. Copper is represented by the S&P GSCI Copper Index Spot CME; iron is represented by the NYSE Arca Steel index, comprised of publicly traded companies involved primarily in the production of steel products or mining and processing of iron ore; oil is represented by the West Texas Intermediate Cushing Crude Oil Spot Price.

FIGURE 7. STEADY GAINS IN EMPLOYMENT SUPPORT U.S. ECONOMIC GROWTH

CHANGE IN TOTAL U.S. NONFARM PAYROLL EMPLOYMENT



Source: Bureau of Labor Statistics.

There has been much debate about the benefits and detriments of lower oil prices. During the holiday season, the "tax cut" of lower gas prices was heralded as a boon to consumers and retailers, although December retail sales were weak. However, with oil now below $50 a barrel (what many view as the marginal breakeven cost to extract oil), the consumption benefits of lower prices begin to be overshadowed by a deleterious income effect to businesses and industries with direct or indirect ties to the energy sector—hence the market's recently amplified anxiety. Exploration-and-production (E&P) companies will have opportunities to reduce production over the next three to six months, the typical length of drilling leases. As current leases expire, E&P companies can moderate production to a less extreme supply-demand imbalance.

Click here for complete reading

2014: Year in Review

February 2015

Authored by:
Todd Speed, CFA
VP, Portfolio Specialist
Calamos Investments

In a year of crosscurrents, global market performance was marked by divergence as investors fixated on central bank policy, a strong dollar, falling oil prices, and weakening global growth.

In all likelihood, 2014 will be remembered for the financial markets' preoccupation with global central banks. Dominant central bank narratives included the tapering of quantitative easing in the U.S., the Bank of Japan's late-October surprise stimulus boost in Japan, and the European Central Bank's piecemeal steps toward outright quantitative easing. This close watch of central bank policy reflected investors' underlying concerns about unorthodox policies and negative real interest rates in many major economies.

The single word that best captures this year's environment might well be "divergence." Seeming dangerously close to the last cycle's "decoupling" but more modest in its intention, divergence summarizes the widened gap in economic performance and policy frameworks in many developed and emerging markets.

Many global equity markets, and oil for that matter, actually peaked in early July, well before the September–October selloff in the U.S. and emerging markets. Of 2014's many fluctuations, the fall's events may prove to be the most memorable as oil prices experienced sharp declines of approximately 50% in response to OPEC's unwillingness to cut production, increased U.S. oil supply, a strong dollar, and weaker global growth. No other asset received as much attention over the final months of the year as oil and the energy complex.

In currency markets, the unrelenting strength of the U.S. dollar was the prevailing driver. The dollar gained approximately 13% on a trade-weighted basis, reaching the highest levels since 2006. Currency markets also showed a significant pickup in volatility, as the dollar's rise was offset by weakness in the euro and yen and a massive drop in the Russian ruble.

As global monetary policy remained accommodative on the whole, interest rates defied consensus expectations and trended lower. In many developed and emerging economies, yield curves flattened markedly over the course of 2014. Economic growth also slowed more than many had anticipated and deflationary pressures grew.

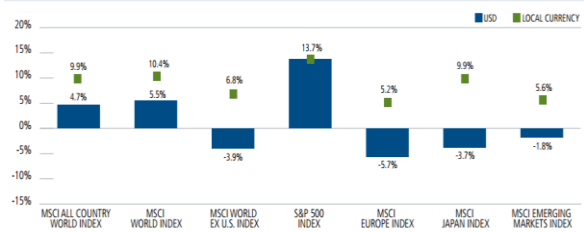
United States

The U.S. was a consistent bright spot for global markets as investors continued to buy U.S. equities and bonds, and the S&P 500 Index continued to march forward. Macroeconomic data (e.g., rising employment, modest inflation) remained generally supportive with a pronounced recovery following the weather-related slowdown of the first quarter. Solid earnings growth, share buybacks and robust M&A activity provided a lift to stocks. Still, there was turbulence, including a significant selloff in September and October and a massive decline in oil prices. The fall's weak spell proved to be mainly a pause as earnings continued upward, Ebola fears moderated, the Fed wound down quantitative easing and U.S. GDP registered 5.0% growth in the third quarter, the highest level since 2003.

KEY POINTS

- » Investors spent much of the year fixated on the actions, and in some cases inaction, of global central bank policy makers.
- » Overall, global equities performed weakly, against a backdrop of anemic global growth, low inflation, a strengthening dollar, and periods of rising geopolitical strain.
- » There was considerable bifurcation in returns among equity markets.

TOTAL RETURNS, YTD THROUGH 12/31/14



Past performance is no guarantee of future results. Source: Bloomberg.

Europe

In the euro zone, weak economic data, deflation fears, and dissent between the ECB and German finance ministers on fiscal policy negatively affected equities. Mounting evidence pointed to the fragility of the region's recovery and inflation fell alarmingly close to

0%, raising questions about debt sustainability. The impact of economic sanctions against Russia and the pace of reforms in Greece further dampened investor risk appetite. The euro declined -12% versus the dollar in 2014, and fell to its lowest level in over 8 years amid speculation the ECB would continue to expand its balance sheet.

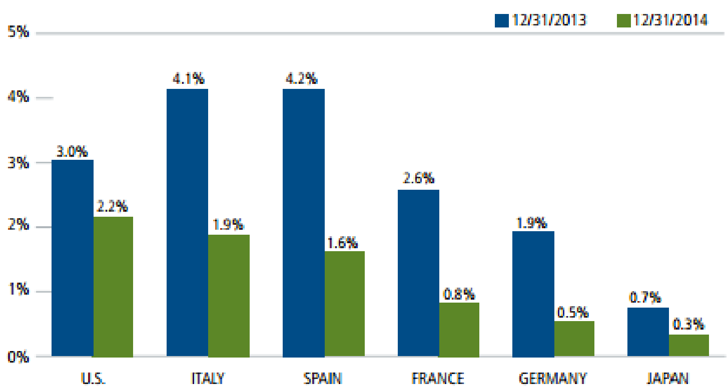
Equity performance was especially weak during the summer months due to concerns relating to the euro zone banking sector, Russian sanctions and conflict in Ukraine. However, the ECB's escalating commitment to easier monetary policy and hopes for a bolstered QE program supported equities in the final months of the year, despite generally weak fundamentals.

Japan

Although finishing down in U.S. dollar terms, Japanese equities rallied in local currency terms, as Prime Minister Abe and the Bank of Japan continued to step up their level of commitment and stimulus into the languid economy. The weakened yen benefited exporters, and asset reflation took hold in financial and real estate sectors. Markets were surprised by the magnitude of the late October stimulus and reform announcements, triggering a "Halloween" rally in Japanese equities, even as economic growth remained anemic.

YIELDS MOVED LOWER IN 2014

10-YEAR SOVEREIGN YIELD



Source: Bloomberg.

Emerging Markets

Decelerating growth, a stronger U.S. dollar, and broad declines in commodity prices slowed investor demand for emerging market stocks. Country and sector returns were highly mixed, with many leading markets generating higher economic growth, an expanding investor base, and progress in reform initiatives. Of the three major EM regions, Asia Pacific gained most, while returns in Latin America and Eastern Europe were weak. Reflecting ranging crosscurrents, sector and country returns varied widely, from the strong gains in India and China to the massive dollar-denominated decline in Russian equities. In similar fashion, markets experienced major dispersion between the leading gains in technology and health care compared to the losses in energy and materials.

Performance during the year was also highly rotational. EM equities generated large gains from March through August, a rally generally led by value-oriented issues, state-owned enterprises (SOEs) and lower-quality companies. In our view, this six-month outperformance was out of step with underlying fundamentals, and we expected selling pressure to materialize. EMs trailed the U.S. and key developed markets from September through year-end. In September, the tide turned, as higher-quality companies with sustainable earnings benefited from rekindled market interest through the end of the year.

Turning to individual emerging economies, China was one of the top-performing equity markets in 2014, with a particularly strong second half advance. Expectations of increased policy stimulus, reasonable valuations, high retail investor demand and the impact of the China-Hong Kong exchange connect propelled prices. The performance of China's stock market provided yet another example of the common disconnect between equity returns and GDP growth. China's GDP continued to decelerate incrementally and may fall short of the government's 7.5% target, marking the lowest expansion in over two decades.

Our investment approach, which favors countries that are embracing economic freedoms, has led us away from Russia for years. The events of 2014 served to validate our bias. Indeed, Russia played a much larger role in world affairs than it has for years and generally to its detriment. While the year began on a positive note with the Sochi Olympics, the escalating conflict with Ukraine set in motion negative events and financial turmoil. U.S. and European sanctions damaged the fragile economy in the first half of the year, and the fall's plummeting oil prices contributed to a tumble in the ruble, widening credit spreads, and enormous losses in Russian equities. Russia injected $87 billion for interventions and increased the benchmark interest rate to an 11-year high to restore confidence in the ruble, which nonetheless slumped 46% in 2014. The Bank of Russia raised its key rate six times in 2014 and spent about a fifth of its international reserves to defend the ruble.

Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. The S&P 500 Index is considered generally representative of the U.S. equity market. The MSCI World Index is considered generally representative of the market for developed market equities. The MSCI World ex-U.S. Index is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America (excluding the U.S.), Europe and Asia Pacific regions. The MSCI Emerging Markets Index is a free float adjusted market capitalization index cited as a measure of the performance of emerging market equities. The MSCI Europe Index is a measure of the performance of developed markets in Europe. The MSCI Japan Index is a measure of the performance of Japanese equities. Quantitative easing refers to central bank bond buying activities.

Click here for complete reading

Identifying Global Growth Opportunities Through A Thematic Lens

February 2015

Authored by:
Nick Niziolek, CFA
SVP, Co-Portfolio Manager and Head of International Research
Calamos Investments

Authored by:
Dennis Cogan, CFA
SVP and Co-Portfolio Manager
Calamos Investments

At Calamos, our investment process pairs comprehensive bottom-up fundamental research with an understanding of the top-down forces that are likely to shape the investment landscape going forward. The bottom-up process includes rigorous fundamental industry and company analysis performed by our team of dedicated sector research specialists. The top-down process includes understanding short- and longer-term macroeconomic, geopolitical, regulatory, and other forces that will shape the business and investment climates.

Another critical component of our top-down process is identifying and investing along secular growth themes around the world. Secular themes are long-term trends that can drive growth for years, even decades, within or across industries or sectors. One of the most far-reaching secular themes we see today is the worldwide appetite for information, entertainment, and connectivity, which continues to drive consumers and businesses to spend on tablets, smartphones, and related products and services.

There are of course winners and losers in terms of exposure to a secular theme, and it's important to understand each. Companies with secular forces at their backs are better positioned and have a greater capacity to grow in both favorable and unfavorable economic climates. Meanwhile, businesses less favorably exposed to a secular theme are likely to see more limited growth opportunities and a deceleration or decline in returns on capital. From an investment standpoint, we believe finding the winners and avoiding the losers from a given theme can contribute to an improvement in the risk/reward of a portfolio.

Clients and long-time readers are familiar with our disciplined economic profit-based approach to analyzing and valuing businesses. Within this framework, we look to identify companies exhibiting the best combination of strong and accelerating returns on invested capital and a high and increasing capacity for additional capital investment into the business—a virtuous combination that yields significant value creation. Competitive forces generally pressure both returns on capital and growth opportunities, but durable secular themes can allow businesses to earn above-average returns on capital and provide increasing opportunities for investing capital into the business for longer periods. This also allows these businesses to sustain higher valuations through time. The opposite is generally the case for businesses on the wrong side of a secular theme, and price risk is generally more elevated as a result.

Returning to our earlier example, the winners we seek within the connectivity theme include mobile and internet companies benefiting from the adoption of 3G/4G networks globally. Less-favorably exposed businesses we generally avoid include companies leveraged to older technologies that, to paraphrase the economist Joseph Schumpeter, are being creatively destroyed by newer innovations.

It's optimal to identify a theme before it becomes obvious to the market. But many themes can last decades, and our experience has shown that investing alongside an established theme can still be highly advantageous. At the same time, history provides many examples of strong, sometimes multi-decade themes where the investment opportunity was limited to only the first few years of the trend. Here, our valuation discipline is critical to avoiding themes already fully discounted in security valuations or where the benefit of the thematic exposure can be more than offset by a less attractive risk/reward. Identifying the strongest themes is necessary but not sufficient by itself—performing rigorous bottom-up analysis on each business exposed to the theme is critical.

REPRESENTATIVE SECULAR THEMES

» World starved for information and entertainment anywhere/anytime

» Global demographic shifts

» Growing global middle class

» Increased automation and manufacturing efficiencies

» North American energy renaissance

» Proliferation of data and accessibility of analytics

» Advances in nanotech, biotech, and genetics

» Global infrastructure build-out

» Financial disintermediation

REPRESENTATIVE CYCLICAL THEMES

» Global central bank monetary policies

» Regional government fiscal policies / election cycles /reform initiatives

» Transitioning global commodity cycle

Looking out over the next several years, we believe secular tailwinds will play an even more important role in constructing portfolios. Although we expect modest expansion in 2015, global growth is clearly slowing. In evaluating the global economic landscape, it's impossible to ignore the massive amount of debt that exists in the world today, both in developed and developing economies. Several studies published in recent years provide evidence of the limitations that these debt levels are likely to put on future growth. And while deleveraging would probably ultimately be a healthy long-term development by clearing the way for more sustainable growth into the future, it would accelerate deflationary forces in the near term. Indeed, the tradeoffs associated with reducing debt burdens, stabilizing financial systems, and restarting economic growth are complex. We believe recently elevated financial market volatility is indicative of this struggle, and we expect volatility to remain elevated and economic growth to be more challenging for some time. Secular tailwinds can support select companies through this macro environment.

The emphasis our team places on secular themes is integral to our global growth investing approach. We spend significant time identifying secular themes, forming a thoughtful opinion as to the strength and persistence of the themes, finding businesses highly leveraged to themes, and making sure we aren't overpaying to get exposure. In the pages that follow, members of our global sector team explore a number of secular growth themes and the growth opportunities they see in global markets today.

Outlook and Positioning

We expect a continued divergence in fortunes as individual economies navigate crosscurrents related to central bank policy and sovereign debt, challenges that may be exacerbated for some countries by weak commodity prices and political uncertainties. We also maintain a bias toward countries that are embracing economic freedoms—such as free markets, private property rights, credible rule of law, and a fair and clear regulatory environment.

Europe

The ECB's decision to finally move ahead with QE was welcomed news, although our optimism is tempered by the less certain environment ushered in by recent elections in Greece and rekindled unrest in Eastern Ukraine. Overall, growth fundamentals are weaker in Europe relative to the U.S., Japan, and China, but we expect momentum to stabilize and improve, while valuations are cheaper than in the U.S. and in developed markets overall (see chart on the preceding page). Against this backdrop, we have identified a growing number of opportunities within core Europe, with a focus on cyclical sectors, such as financials, technology, consumer discretionary and industrials, while remaining underweight to energy and materials. We are presently underweight defensive growth sectors within Europe (such as staples and health care) but will look to opportunistically add to these positions when relative valuations permit.

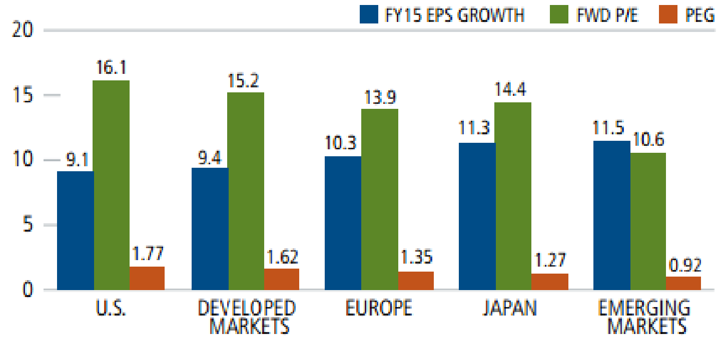
Japan

Our team has been increasing exposure to Japan, starting in the second half of 2014. Despite the rally we saw in the fourth quarter of 2014, valuations remain attractive. We're also encouraged by the improved capital and operating efficiencies we've seen from many Japanese companies, which could contribute to better earnings.

VALUATION & GROWTH ESTIMATES, BY REGION

AS OF DECEMBER 31, 2014

OVERALL, GLOBAL EQUITY VALUATIONS REMAIN ATTRACTIVE, PARTICULARLY AS MORE THAN HALF OF GLOBAL GOVERNMENT BONDS ARE YIELDING LESS THAN 1%.



Past performance is no guarantee of future results. Source: BofA Merrill Lynch, MSCI and IBES.

Emerging Markets

As it relates to the emerging markets, elections were the drivers of positive sentiment last year, with India and Indonesia among the notable examples. We expect policy and reform will be the primary drivers this year, providing a favorable case for countries such as Mexico. As global markets seek new supply/demand balances in oil and commodities, we are emphasizing commodity consumers over commodity producers. Markets that are less vulnerable to falling commodity prices and that have the flexibility to cut rates are likely to see the most significant flows, as accommodative policy can encourage increased consumption. With an eye to maintaining a stable risk profile, our team continues to favor economies with better fundamentals, as recent volatility in commodities and currencies could result in more unexpected "crisis" events in 2015.

Reflecting these considerations, we have identified companies with compelling growth potential in China, India, Indonesia, the Philippines, and Turkey. Over recent months, we have selectively bolstered exposure to China on signs of additional monetary accommodation. In our view, these stimulus efforts are aligned with the country's strategy to increase the role of the private sector, as well as services and consumption. We have found opportunities among banking companies in India and Turkey, where we believe that recent interest-rate actions, reforms, and capital flows provide favorable growth catalysts.

Conclusion

Given the slower growth environment and deflationary pressures we expect in 2015 and beyond, we believe our thematic approach will prove particularly beneficial. By pairing our top-down insights with comprehensive bottom-up fundamental analysis, we are confident our investment team is well positioned to identify global investment opportunities while also mitigating risks.

Click here for complete reading

Preferred Securities: High Income with Attractive Relative Value

February 2015

Authored by:
William Scapell
Executive Vice President and Portfolio Manager
Cohen & Steers

Preferred securities began 2015 on a positive note, benefiting from a continuation of what they experienced in 2014. Over the past year, conditions have been hospitable for most fixed income asset classes amid low and declining interest rates. Preferreds offered investors solid returns in 2014, offering high income rates but avoiding the pressure experienced in high yield. In our view, preferreds appear to continue to offer a good income choice for the months ahead.

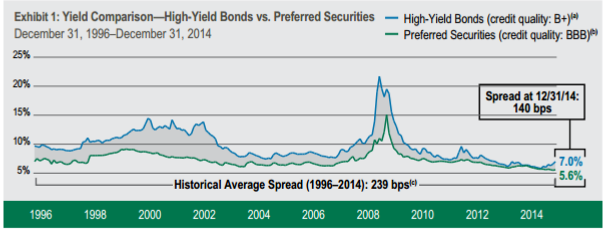
Confounding expectations of many market observers, U.S. Treasury yields trended lower in 2014 even as quantitative easing tapering ran its course through October. This reflected modest U.S. economic growth as well as weaker global growth readings. Falling further so far in 2015, rates have also been pinned down by a generally benign global inflation outlook, supported in part by declining oil prices and aggressive monetary policy measures abroad.

In an environment offering scant sources of income, investors nonetheless had to be judicious in 2014. Credit concerns rose, spurred by the recent downdraft in energy markets, pressuring the high-yield market in particular. Where do preferreds now stand in relation to other fixed income classes in terms of value and opportunities? This update looks at how preferreds compare with high-yield bonds, based on relative income, credit risk, and even industry risk. We also take note of the attractive income offered by preferreds on a pre- and post-tax basis, versus a range of fixed income alternatives. In addition, we highlight the ability to manage interest-rate risk in the broad preferreds market via its many structures, a characteristic that can give active investment managers an advantage in differing interest-rate scenarios.

Yield Spread of High-Yield Bonds over Preferreds Is Low

With almost negligible yield currently found on Treasuries, investors with an appetite for more income can consider classes such as corporate bonds, high-yield debt and preferred securities, especially if the economy is improving.

Preferreds have historically offered more yield compared with corporate bonds but less income compared with high yield. However, high-yield's income advantage has been relatively narrow over the past year, with yields even briefly converging with preferred yields. As shown in Exhibit 1 below, the yield spread between high-yield bonds and investment-grade preferreds remains narrow relative to the historical average.



At December 31, 2014. Source: Morningstar.

Exhibit 2: Top Sectors

	Sector	Index Weights: Preferred Securities[a]	High-Yield Bonds[b]	Corporate Bonds[c]
Modest overlap	Banking	49%	3%	22%
	Insurance	26%	1%	5%
	Utilities	8%	3%	8%
Negligible energy in Preferreds	Real Estate	4%	1%	2%
	Energy	1%	13%	14%
	Telecommunications	2%	10%	5%
	Media	0%	9%	4%
	Basic Industry & Capital Goods	1%	18%	10%

At December 31, 2014. Source: Cohen & Steers, BofA Merrill Lynch.

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

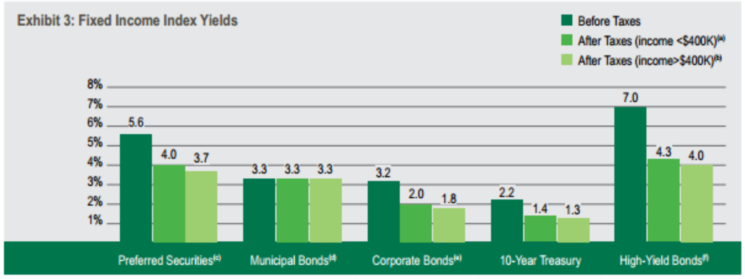
(a) Preferred Securities represented by 50% BofA Merrill Lynch Fixed-Rate Preferred Index and 50% BofA Merrill Lynch Capital Securities Index. (b) BofA Merrill Lynch High-Yield Master Index. (c) BofA Merrill Lynch Corporate Master Index. See back page for index definitions.

Preferred Securities Provide Diversification by Industry

From a sector perspective, the preferreds market offers a strong complement to corporate and high-yield bonds. As shown in Exhibit 2, preferreds are much more represented by banks and insurance companies, which have long viewed these securities as an attractive way to satisfy regulatory capital requirements. We like financial issuers today due to the very onerous and creditor-friendly new regulatory requirements placed on them in the wake of the financial crisis, which is a strong tailwind for improving credit fundamentals. Also noteworthy is the virtual absence of energy companies in the preferreds universe. The underperformance of high yield bonds seen in the past few months is in large part attributable to volatility in the energy sector.

Attractive Income Before and After Taxes

Preferred securities currently offer some of the highest yields available in fixed income markets. But as indicated in Exhibit 3, they may also provide an after-tax income advantage—regardless of an investor's tax bracket—that exceeds other fixed income choices. The reason is that distributions from many preferred securities are taxed as qualified dividend income (QDI), rather than as regular interest income, which helps investors keep more of what they earn.



Preferreds' Additional Yield				
Before Taxes	2.3%	2.4%	3.4%	-1.4%
After Taxes (income <$400K)[a]	0.7%	2.0%	2.6%	-0.3%
After Taxes (income >$400K)[a]	0.4%	1.9%	2.4%	-0.3%

At December 31, 2014. Source: Cohen & Steers, BofA Merrill Lynch.

Preferred Securities Provide Diversification by Rate Structure

Many investors perceive the preferred market as being highly interest-rate sensitive due to the perpetual structures, but it is actually composed of securities with a variety of structures that can be used to tailor a portfolio's interest-rate risk.

Preferreds are issued and traded in two distinct markets: 1) $25 par preferreds that trade on an exchange; and 2) large-denomination preferreds that trade over the counter (OTC). The security at the top of Exhibit 4 is reflective of securities typical to the exchange-traded market, a callable fixed-coupon issue with a long duration. This type of security is absent from the OTC market, which is dominated by the second version shown in Exhibit 4. While the second security is also fixed-rate for the first part of its life, it can be called or reset to a floating rate after the initial fixed-rate period, a feature that reduces its duration, or sensitivity to interest-rate risk. The bottom security effectively has a near-zero duration as it resets frequently based on movements of a benchmark interest rate—with virtually no interest-rate risk.

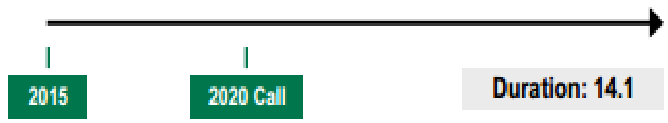
Given the overall longer duration of exchange-traded preferreds, the two groups can see wide divergence in performance. For example, while OTC preferreds had good absolute returns in 2014, the exchange-traded market did significantly better as bond yields declined; however, in 2013, a rising-rate environment, OTC preferreds fared much better. Over the course of a rate cycle, it may make sense for preferred investors to allocate to both markets, with the understanding that one can perform much better than the other depending on market circumstances.

An Active Approach to Managing Credit and Interest-Rate Risk

We believe that active management of credit and interest-rate risks will continue to be critical in coming quarters. Although the Federal Reserve may increase the overnight rate late in the year to diminish its extraordinarily accommodative stance, we view longer-term bond yields as relatively pinned down for the near term by low and falling inflation as well as the strong dollar. In the current market environment, we favor preferreds with good amounts of call protection and are judicious on credit risks, particularly outside of the U.S. We believe that the powerful movements in the dollar and energy prices, together with unsettled political conditions, could result in more skittish credit markets. That said, we still like high income securities, including some below-investment-grade issues. High income is clearly in short supply, and it has historically smoothed total return

Exhibit 4: Hypothetical Examples

Fixed-Rate Security: Retail (exchange-traded) fixed rate; 6.5% coupon, callable in 2020 at par



Fixed-to-Floating Rate Security: Institutional (OTC) fixed-to-floating rate; 6.5% coupon, callable in 2024 at par (or resets to a floating rate in 2025)

Floating-Rate Security: Retail (exchange-traded) and institutional (OTC) Floating rate security (quarterly coupon reset based on changes in LIBOR[(a)])

Duration measures the price sensitivity of a fixed income or preferred security to changes in interest rates (or yields). The higher the duration, the greater the price change in response to a rise or fall in yield. The duration of a preferred security depends, in part, on how it is structured

(a) LIBOR, London Interbank Offered Rate. See index definitions on back page.

High coupons and wide credit spreads. In both the OTC and exchange-listed markets, we are focused on securities offering relatively high income rates and above-average spreads, but also good amounts of call protection given our expectation that long rates will remain low for the near term. While we are more cautious in some areas, we also see specific credit catalysts driven by regulatory changes at banks and general economic improvements.

A mixture of structures. The interest-rate sensitivity of a preferred security is largely the result of its structure. Fixedto-float and pure floating-rate issues are generally the least sensitive to interest rates, as their coupons reset, often frequently. But interestingly, these structures can also offer more call protection—often 10 years, versus the typical five years for fixed-rate exchange-listed preferreds—potentially providing more upside if rates stay low, and less price risk should they turn higher.

Click here for complete reading

Fund Updates

- [Aberdeen Asia-Pacific Income Fund, Inc. Announces Performance Data And Portfolio Composition – February 2]
- [BlackRock(R) Announces February Cash Distributions for the iShares(R) ETFs – February 10]
- [BMO Asset Management Inc. Announces Cash Distributions for BMO Exchange Traded Funds – February 17]
- [Cornerstone Funds Announce Continuing Monthly Distributions – February 13]
- [Certain Deutsche Closed-End Funds Declare Monthly Distributions – February 9]
- [Distribution Dates and Amounts Announced for Certain Eaton Vance Closed-End Funds – February 10]
- [Month-End Portfolio Data Now Available for Federated Investors' Closed-End Funds – February 17]
- [First Asset Closed-End Funds February Distributions – February 18]
- [First Trust Energy Infrastructure Fund Declares its Monthly Common Share Distribution of $0.11 per Share for March – February 19]
- [First Trust Advisors L.P. Announces Distributions for Exchange-Traded Funds – February 19]
- [First Trust Intermediate Duration Preferred & Income Fund Declares its Monthly Common Share Distribution of $0.1625 Per Share for March – February 19]
- [Guggenheim Investments Announces February 2015 Closed-End Fund Distributions – February 2]
- [Horizons Announces February 2015 Distributions for its Covered Call ETFs – February 19]
- [Invesco PowerShares Adds Five ETFs to Schwab OneSource(TM) – February 10]
- [John Hancock Closed-End Funds Declare Monthly Distributions – February 2]
- [Legg Mason Partners Fund Advisor, LLC Announces Distributions for Certain Closed End Funds Pursuant to their Managed Distribution Policy]
- [Neuberger Berman Closed-End Intermediate Municipal Funds Announce Monthly Distributions – February 17]
- [Nuveen Closed-End Funds Declare Monthly Distributions – February 2]
- [Pioneer Investments Declares Monthly Distributions for Closed-End Funds – February 3]
- [PowerShares Canada announces cash distributions for TSX-listed ETFs – February 17]
- [Putnam Announces Distribution Rates for Closed-End Funds – February 11]
- [Questrade launches its own lineup of exchange-traded funds – February 20]
- [Templeton Releases Closed-End Fund's Portfolio Allocation Update – February 19]
- [Tortoise Capital Advisors Announces Distribution Amounts and Dates for Closed-End Funds (TYG, NTG, TTP, NDP, TPZ) – February 9]
- [WisdomTree ETFs Declare Distributions – February 23]

ETF Roundtable Webinar

Thursday, February 12, 2015 | 11:00 AM ET

Phil Bak:
Thank you, Nicolas. So I work with The New Your Stock Exchange. The New York Stock Exchange is responsible for coordinating and managing new ETF launches and the trading of those ETFs in partnership with our issuers. I'm very proud to say that we are the leading ETF exchange both in terms of number of listings and assets under management of those ETFs. But really, most importantly, for investors, we have the most liquidity providers trading ETFs on NYSE and NYSE Arca which is directly led to tighter spreads and larger depths for NYSE listed ETFs relative to our competitors.

So I want to start off, before we start talking about different strategies and asset classes, a little bit inside the industry. Our first topic is latest trends in the ETF market growth and that's both across retail and institutional segments. ETFs have now passed $2 trillion in assets under management. And according to a PricewaterhouseCoopers' report that just came out, ETFs are projected to hit $5 trillion in assets under management by 2020.

So my question for Joe Nelesen of BlackRock is where has the growth been, but also where is the projected growth expected to come from? And that's both in terms of investor segmentation as well as specific ETF asset classes and strategies that point to capture that growth.

Joseph Nelesen:
Sure. Thanks, Phil; and thanks, Capital Link for hosting this today. So as you mentioned, ETF's assets have exceeded $2 trillion for the first time and last year was a big part of that. 2014 is actually a record year of flows into ETFs with $246 billion into US listed products. Of that, over $190 billion is into equity exposures, which the majority coming into to US exposed ETFs and another $50 billion into fixed income.

The use of ETFs is extending to new applications and also new kinds of investors. We really haven't used them before in this expansion to largest global institutions down to individuals across the world. And so first, I think there's four main ways we're seeing ETFs put to use in some new ways. First, more and more ETFs are being put to work as buy-and-hold investments. This is a very common usage since the beginning of this type of products. They are favored for low expense ratios, transparency, ease of trading. It's a very common solution for a passive part of the portfolio that's held for a long time.

And second we're seeing ETFs used more and more tactically by active managers seeking precision exposures to different asset classes whether it's single countries or sectors or different parts of the market cap. There are some increasingly specific investment themes and strategies that can be expressed now through an ETF, and those are being put to use by active managers who are asset allocating across different parts of the portfolio.

Third, we're seeing ETFs in some cases replacing high cost active management as managers are actually consistently beating the passive benchmarks. For example, some recent research we did found that among more than 800 active mutual funds in the US, only 1% of those managers are beating the US large cap space S&P 500 index for five consecutive years. It's a very small rate of active performance in a consistent manner. And this holds true in other asset classes as well. We'll talk more about that later today.

Featured Moderator

Phil Bak
Managing Director, Global Index and Exchange Traded Products
ICE | NYSE

Featured Presenters

Robert Deutsch
Managing Director, Global Head of ETFs
J.P. Morgan Asset Management

Ryan O. Issakainen, CFA
Exchange-Traded Fund Strategist
First Trust

Joseph Nelesen
Director, Head of Institutional Product Mgmt & Consulting
iShares

Kevin W. Quigg, CIMA
Global Head of ETF Sales Strategy
State Street Global Advisors

Fourth, we're finding ETFs more and more replacing other financial instruments such as futures as highly liquid and low cost tools for index exposure. Now, that's a big sea change. The main reason is that funding costs have increased for banks or in futures, and this has passed on to those who are using them in a fully funded way. As a result, the total cost of ownership of many highly liquid ETFs is becoming more and more an attractive option.

Evidence that we see for shifting out of futures and into ETFs comes from the fact that for the first time last year the total value of S&P 500 ETFs exceeded the total value of S&P 500 futures including the E-minis for the very first time.

So switching back to flows, 2014 started resurgence of fixed income flows after 2013 dominated by fears of rising rates in the so-called paper tantrum. We asked people a year ago when they thought rates really start to rise, many people we talked to said June. If you ask them today, they still say June so I think what's happening is there was a sense of lower for longer in 2014, and that led to a resumed flow into fixed income ETFs. In equity flows into US product led the way, as I mentioned. But among international exposures we saw developed markets dominating as emerging markets remain to someone out of favor across all types of investors.

Now, shifting more toward the recent term, more recently toward late 2014 and into this year, there are two big themes that have really been playing out in a large way in inequities. And those are currency hedging and smart beta. In the currency hedge space, obviously the Central Bank actions around the world, mostly between Europe and Japan that continue to favor and strengthen the US dollar relative to other currencies. As a result of that, we've seen US dollar hedged ETFs generate a lot of flows. Europe, Germany and IFA are some common exposures right now, Japan for a large part of last year as well. In January alone, the flows into currency hedge ETFs reached nearly $6 billion bringing the total AUM in this asset class to about $28 billion.

In smart data, which we'll cover more today, investors are also finding more and more use from single and multifactor products and they're discovering that many of the active managers they've been using in the past were marketing active alpha that can actually be explained as factor beta, meaning you can disaggregate the source of the returns and see that there's often a simple rules-based way to get the same outcome.

As a result of that, we're seeing all kinds of investors using ETFs to deliver factors like the minimum volatility, value, momentum, quality, and a few others as an addition to their asset allocation or in some cases replacement for those fundamental active managers who aren't necessarily justifying their theme. Evidence of that as well is in 2014 smart beta flows reached $34 billion. And in January of this year, we've already started quickly with over $5 billion across ETFs in that space. And with volatility forecast rising and lack of correlation in active flow, we're expecting to see this trend continue with a lot of growth in smart beta among institutions and individuals.

And it's back to you, Phil.

Phil Bak:

It's very interesting you talked about the flows and smart beta. I think the traditional argument in equity space has always been active versus passive. And when people have traditionally thought of active managers, they thought of complete portfolio manager discretion at the stock ticking level. But what we're seeing now in the ETF industry, like you said, a substantial flow is going to smart beta products which are transparent, rules-based, quantitative index products, but by index, not in the same strengths as your traditional broad equity products.

So a question for Bob Deutsche, when assessing the number of options in smart beta ETFs, what should investors consider and are these products appropriate for a traditional client portfolio?

Robert Deutsch:

Thanks, Phil. Hi, it's Bob Deutsche with J.P. Morgan. We offer ETFs in this category of smart beta. We like to call it strategic beta, but I wouldn't get caught up too much in the name as much as I would spend some time understanding what some of these products can do for you and your clients.

So let me just start with what is strategic beta and I'd say simply put, strategic beta products are index products that use a different methodology from traditional indexing. So traditional indexing uses a market cap weighting methodology. The strategic beta products use something different than market cap weighting. So in the broader sense, strategic beta is non-market cap weighted.

A very simple example would be a fund that's equal weighted. So for example, the S&P 500 and a market cap weighting traditional index product would own more of Apple than any other stock in the index. And second, it would own Exxon and so on down the line. In an equal weighted portfolio, it would own equal amounts of each of those securities.

So what we're seeing in strategic beta is everything from very simple approaches like the equal weighting to single factors as Phil and Joe mentioned things like value or momentum, all the way to more sophisticated strategies. It's a big category. It's, Joe mentioned, the flows last year in total, the several hundred billion dollars in strategic beta, so this is a big area and a growing area. Let's just talk a little bit about why would you use a strategic beta fund.

I think there's a couple of things to think about. I'm going come at it from the standpoint of that it's important to understand what you get from a traditional index fund, and that will help you think about where strategic beta index fund would sit for you. So with the traditional fund, index fund typically gives you broad exposure to the market in a highly liquid way and typically priced very attractively. If you're using these index funds and even if you're not, you know some of those inherent advantages. You might not pay as much attention to as the flaws in traditional indexing.

Click here for complete reading

CEFs & Global ETFs Webinar Library

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

Please click on the calendar icon to access below webinar transcript and audio.
Visit http://webinars.capitallink.com/sectors/cef-etf.html for our complete CEFs & Global ETFs Webinar Library

Upcoming 2015 Webinars

MAR. 10

March 10 – Business Development Companies (BDCs) – Gateway to Attractive Yield Investments
Featured: Prospect Capital

MAY. 6

May 6 – Topic: TBD
Featured: Aberdeen

MAY. 19

May 19 – Topic: TBD
Featured: Fidelity Investments

Past 2014 Webinars

FEB. 24

February 24 – Emerging European Equities - Beyond Volatility
Featured: Deutsche Asset & Wealth Management

FEB. 12

February 12 – ETF Roundtable Webinar
Featured: First Trust, iShares, JP Morgan Asset Management, NYSE, State Street Global Advisors

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

Please click on the calendar icon to access below webinar transcript and audio.
Visit http://webinars.capitallink.com/sectors/cef-etf.html for our complete CEFs & Global ETFs Webinar Library

Past 2014 Webinars

NOV 19

November 19– How a Dynamic Allocation Strategy Can Help Navigate a Volatile Market Environment
Featured: Ares Management

OCT 28

October 28– Ahead of the Curve: Upgrading MLP Exposure to Distribution Growth Leaders
Featured: Yorkville/RBC

OCT 14

October 14 – MLP and Infrastructure Strategies: Opportunities in a Dynamic Landscape
Featured: Cohen & Steers

OCT 8

October 8 – Uncovering Value in the BDC Industry in the Current Economic and Interest Rate Environment
Featured: Prospect Capital

OCT 1

October 1 – MLP Roundtable Webinar
Featured: Goldman Sachs Asset Management, Swank Capital, Cushing MLP Asset Management, Tortoise Capital Advisors

SEP 30

September 30 – Current Use of Leverage in U.S. Closed-End Funds
Featured: Fitch Ratings

Content Contributors

Media Partner:

Disclaimer-Terms of Use: The information herein is not an offer to buy or sell any kind of securities nor does it constitute advice of any kind. The material featured in this Newsletter is for educational and information purposes only. Material featured in this Newsletter is taken from sources considered to be reliable but Capital Link does not represent or warrant the accuracy of the information. The opinions expressed in this Newsletter do not necessarily reflect those of Capital Link who takes no responsibility at all for them and cannot be held liable for any matter in any way.