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The Month in Closed-End Funds: May 2015

PERFORMANCE

For the first month in six both equity and fixed income CEFs suffered negative NAVbased returns (-0.10% and -0.21% on average, respectively) and market-based returns (-0.60% and -1.73%). Year to date, however, both groups remained in positive territory, returning 3.36% and 1.67%. Interest rate concerns placed a pall over the market in May. However, at the beginning of the month a weaker-than-expected reading on Q1 2015 U.S. gross domestic product and manufacturing activities was offset by the April jobs report. While the economy added 223,000 new jobs for April and the unemployment rate fell to 5.4%, many pundits opined that—although the economy appeared to be on a solid footing—the reading wasn't strong enough to cause the Federal Reserve to hike interest rates in June. This "Goldilocks" interpretation sent the Dow Jones Industrial Average to its strongest one-day point gain in more than three months. Nonetheless, U.S. stocks remained range bound, with new highs reached only incrementally.

On the other side of the pond, however, U.K. stocks got a big lift after David Cameron's conservative party won its recent election bid. Despite a mid-month report of a drop in April U.S. industrial production—its fifth consecutive monthly decline—and a decline in consumer sentiment to its lowest reading in seven months, with no place else to turn investors bid the S&P 500 to a record level on May 15. Nonetheless, nervousness once again appeared in the markets after Fed Chair Janet Yellen said she still expected the central bank to raise rates sometime this year. Later in the month a stronger-than expected reading of price inflation put pressure on both stocks and bonds as investors began to believe that an increase in CPI, along with an improving labor market, would give the Fed just cause to raise interest rates sooner rather than later. At month-end the April Chicago PMI showed a decline to 46.2, indicating contraction, and Greece once again was in the limelight as its imminent first payment to the IMF sent investors toward safe-haven plays. But, M&A news in the healthcare industry and a rise in both oil and gold helped prop up the markets. For May the Dow and the S&P 500 managed to stay in the black, returning 0.95% and 1.05%, respectively, while a strong tech rally helped send the NASDAQ up 2.60%.

Despite a late-month rally in Treasuries as a result of investors' seeking safe-haven plays in response to Greece's looming first repayment to the IMF in June and the revisions to the first quarter GDP growth that showed a contraction, for the month of May Treasury yields rose at all maturities above six months. The ten-year yield rose 7 bps to 2.12% by month-end. The 20-year Treasury yield, rising 14 bps to 2.63%, witnessed the largest rise for May of the group. At the short-end of the curve the three-and six-month yields witnessed no change from their April closing values, remaining at 0.01% and 0.06%, respectively. The one-month yield rose 1 bp to 0.01%.

The Month in Closed-End Funds: May 2015

- For the first month in six both equity and fixed income closed-end funds (CEFs) suffered negative returns, with equity funds losing on average 0.10% on a net-assetvalue (NAV) basis, while, their fixed income counterparts lost 0.21% on average.
- For May only 9% of all CEFs traded at a premium to their NAV, with 10% of equity funds and 8% of fixed income funds trading in premium territory. Lipper's World Equity CEFs macro-classification witnessed the smallest widening of discounts for the month—9 basis points (bps) to 11.42%.
- For the second consecutive month all of Lipper's municipal bond CEF classifications posted returns in the red, with High Yield Municipal Debt CEFs (-0.15%) mitigating losses better than the other classifications in the muni group.
- Mixed-asset CEFs (+0.64%) outpaced their domestic equity CEFs (-0.17%) and world equity CEFs (-0.42%) brethren.
- Convertible Securities CEFs (+1.89%) posted the strongest return in the equity universe for the month, while Natural Resources CEFs (-3.53%) was at the bottom.

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For May the dollar gained against the yen (+3.43%), the euro (+1.66%), and the pound (+0.35%). Commodities prices also rose, with near-month gold prices rising 0.63% to close May at $1,189.80/ounce. Front-month crude oil prices rose 1.12% to close the month at $60.30/ barrel.

For the month 37% of all CEFs posted NAV-basis returns in the black, with 45% of equity CEFs and only 31% of fixed income CEFs chalking up returns in the plus column. Concerns over the possibility of a Greek default and China stocks taking it on the chin mid-month weighed on world equity CEFs, sending Lipper's World Equity CEFs macro-group (-0.42%) to the bottom of the equity CEFs universe for the month. Meanwhile, M&A news and some conviction that the central bank would not raise rates in June favored the mixed-asset CEFs group (+0.64%), propelling it to the top of the charts. The domestic equity CEFs macro-group (-0.17%) was sandwiched between the other two broad-based groups for May.

Despite the rise in oil and gold prices, Lipper's Natural Resources CEFs classification (-3.53%, one of April's leaders) was at the bottom of the equity universe pile for May and was only slightly bettered by Pacific exJapan CEFs (-2.26%) and Energy MLP CEFs (-2.24%). As a result of investors' continuing their search for yield, Convertible Securities CEFs (+1.89%) rose to the top of the charts, followed by Sector Equity CEFs (+1.73%), which benefitted from M&A news in the healthcare industry and the small rise in gold prices. For the remaining equity classifications returns ranged from minus 1.84% (Utility CEFs) to 1.31% (Options Arbitrage/ Options Strategies CEFs).

Three of the five top-performing individual equity CEFs were housed in Lipper's Sector Equity CEFs classification. However, at the top of the group was Columbia Seligman Premium Technology Growth, Inc. (NYSE: STK, warehoused in Lipper's Options Arbitrage/ Options Strategies CEFs classification), returning 8.71% on a NAV basis and traded at a 1.57% premium on May 29. Following STK were Tekla Life Sciences Investors (NYSE: HQL, housed in Lipper's Sector Equity CEFs classification), posting an 8.57% return and traded at a 1.98% discount at month-end; Tekla Healthcare Investors (NYSE: HQH, also housed in Lipper's Sector Equity CEFs classification), gaining 7.34% on a NAV basis and traded at a 3.21% premium on May 29; BlackRock Health Sciences Trust (NYSE: BME, also warehoused in Lipper's Sector Equity CEFs classification), rising 6.60% on a NAV basis and traded at a 1.85% premium at month-end; and Morgan Stanley India Investment Fund, Inc. (NYSE: IIF, housed in Lipper's Emerging Markets CEFs classification), posting a 5.38% NAV-based return and traded at a 12.30% discount on May 29.

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	45	31	68	10	90
Bond Funds	31	10	87	8	92
ALL CEFs	**37**	**19**	**79**	**9**	**91**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	MAY	YTD	3-MONTH	CALENDAR-2014
Equity Funds	-0.10	3.36	0.98	6.65
Bond Funds	-0.21	1.67	0.13	11.56
ALL CEFs	**-0.16**	**2.38**	**0.50**	**9.58**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	MAY 2015	CALENDAR-2014
ALL CEFs	**32**	**23**

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

3 MONTHS THROUGH 4/30/2015	290
COMPARABLE YEAR-EARLIER 3 MONTHS	377
CALENDAR 2014 AVERAGE	302

Source: Lipper, a Thomson Reuters company

For the month the dispersion of performance in individual equity CEFs—ranging from minus 9.79% to positive 8.71%—was narrower than May's spread and more negatively skewed. The 20 top-performing equity CEFs posted returns at or above 1.90%, while the 20 lagging equity CEFs were below minus 3.16%.

Brookfield Global Listed Infrastructure Income Fund Inc. (NYSE: INF), housed in Lipper's Utility CEFs classification, shed 9.79% and sat at the bottom of the equity CEFs universe for the month. INF traded at a 12.43% discount at month-end. Despite the increase in oil prices during the month, Tortoise Energy Independence Fund, Inc. (NYSE: NDP) posted the next poorest return in the equity universe, declining 8.16% and traded at a 9.90% discount at monthend. For May 116 equity CEFs experienced NAV-based returns in the red.

In a recent speech on the U.S. economic outlook, Fed Chair Janet Yellen said she still expected interest rate increases sometime this year. A stronger-than-expected reading of core CPI, driven by increases in housing expenses and a gain in medical care costs, convinced investors of that eventuality. These overlapping views led Treasury yields to rise at both ends of the curve, except for the three- and six-month rates where they witnessed no change from their April close. The ten-year yield rose 7 bps to 2.17% at month-end. For the second consecutive month none of the municipal bond CEFs (-0.47% for May) classifications witnessed plus-side returns for May. Rising to the top of the charts for the month, domestic taxable bond CEFs (+0.21%) posted the only positive return of the fixed income macro-groups, followed at a distance by world bond CEFs (-0.68%).

At the top of the fixed income classification charts were High Yield CEFs (Leveraged) (+0.46%) and U.S. Mortgage CEFs (+0.38%), followed by High Yield CEFs (+0.35%) and Loan Participation CEFs (+0.24%). At the bottom of the domestic taxable bond CEFs macro-group, Corporate BBB-Rated Debt CEFs (-0.31%) suffered the largest negative return.

On the muni side High Yield Municipal Debt CEFs (-0.15%) mitigated losses better than its cohorts, while New Jersey Municipal Debt CEFs (-0.89%) once again suffered the worst loss of the group. Single-state municipal debt CEFs (-0.38%) mitigated losses better than their national municipal debt CEF counterparts (-0.55%).

Three of the five top-performing individual CEFs in the fixed income universe were housed in Lipper's General Bond CEFs classification. At the top of the group was Palmer Square Opportunistic Income Fund (NASDAQ: PSOIX, housed in Lipper's General Bond CEF classification), returning 2.08%. (PSOIX, a hybrid interval fund, does not trade on an exchange.) Following the Palmer Square fund were DoubleLine Income Solutions Fund (NYSE: DSL, housed in Lipper's High Yield CEFs [Leveraged] classification), tacking 1.97% onto its April month-end value and traded at a 10.25% discount on May 29; PIMCO Income Strategy Fund II, Inc. (NYSE: PFN, housed in Lipper's General Bond CEFs classification), posting a 1.26% return and traded at a 1.44% discount at month-end; and PIMCO Dynamic Credit Income Fund (NYSE: PCI, housed in Lipper's Global Income CEFs classification), returning 1.24% and traded at a 10.96% discount on May 29.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 3.58% for Legg Mason BW Global Income Opportunities Fund, Inc. (NYSE: BWG, housed in Lipper's Global Income CEFs classification and traded at a 12.48% discount on May 29) to 1.22% for PIMCO High Income Fund (NYSE: PHK, housed in Lipper's General Bond CEFs classification), traded at a 50.07% discount at month-end. The 20 top-performing fixed income CEFs posted returns at or above 0.85%, while the 20 lagging CEFs were at or below minus 0.95%. A total of only 108 fixed income CEFs witnessed plus-side performance for May.

PREMIUM AND DISCOUNT BEHAVIOR

For May the median discount of all CEFs widened 93 bps to 9.17%—worse than the 12-month moving average discount (8.69%). Equity CEFs' median discount widened 37 bps to 9.83%, while fixed income CEFs' median discount widened 138 bps to 8.82%. The national municipal bond CEFs macrogroup's median discount witnessed the largest widening, 188 bps to 8.10%, while the World Equity CEFs macroclassification witnessed the smallest widening in the CEFs universe—9 bps to 11.42%.

For the month only 19% of all funds' discounts or premiums improved, while 79% worsened. In particular, 31% of equity funds and 10% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on May 29 (50) was 15 less than on April 30.

CEF Events and Corporate Actions

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CEF EVENTS AND CORPORATE ACTIONS

IPOs

AllianzGI Diversified Income & Convertible Fund (NYSE:ACV) raised $280 million in its initial public offering. If underwriters exercise their overallotment options, the fund could raise up to $322 million.

RIGHTS, REPURCHASES, TENDER OFFERS

Final results of the tender offer for up to 10% of the common shares of Diversified Real Asset Income Fund (NYSE: DRA) at 99% of NAV showed the offer was oversubscribed. Investors tendered nearly 13.5 million shares for the 2.3-million-share offer, meaning on a pro rata basis approximately 16.9% of tendered shares were bought back.

Brookfield Global Listed Infrastructure Income Fund (NYSE: INF) announced that the preliminary results showed its one-for-three transferable rights offering was oversubscribed and raised approximately $60 million in gross proceeds. The subscription price of $17.20 per share was equal to 78% of the fund's NAV at the close of trading on the expiration date.

MERGERS AND REORGANIZATIONS

Directors of BlackRock MuniYield Michigan Quality Fund II (NYSE: MYM) and BlackRock MuniYield Michigan Quality Fund (NYSE: MIY) approved the reorganization of MYM into the surviving MIY. The merger will be completed in the second half of 2015, subject to shareholder approval.

Effective June 8, Nuveen New York Performance Plus Municipal Fund (NYSE: NNP) and Nuveen New York Dividend Advantage Municipal Fund 2 (NYSE: NXK) will merge into Nuveen New York Dividend Advantage Municipal Fund (NYSE: NAN).

OTHER

Trustees of Clough Global Equity Fund (NYSE:GLQ), Clough Global Opportunities Fund (NYSE:GLO), and Clough Global Allocation Fund (NYSE:GLV) approved a participation agreement between the funds and RiverNorth Funds. Pursuant to the participation agreement, RiverNorth Funds may purchase shares of each fund in excess of certain investment limitations set forth by the Investment Company Act of 1940, provided certain requirements are fulfilled. Each fund's board approved the participation agreement. RiverNorth Funds agreed to purchase shares of the funds without a possibility of becoming a controlling shareholder.

Activist hedge fund manager Ironsides Partners got just 13% of the votes in a proxy contest over Pimco Dynamic Credit Income Fund (NYSE: PCI). Shareholders overwhelmingly reelected the current trustees and defeated the nominees proposed by Ironsides Partners by over 41.5 million votes.

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Market Videos

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June 10, 2015
Brian Wesbury of First Trust: *Liar, Liar, Unemployment (Not) Higher*

May 22, 2015
John Gabriel of Morningstar: *A Bond Fund That Stands Up to Rising Rates*

May 27, 2015
Ben Johnson of Morningstar: *Our Favorite Energy ETF*

May 14, 2015
Thomas Boccellari of Morningstar: *2 Flavors for Core Bond Indexers*

Category	Average 1Mo NAV Change	Average 1Mo Mkt Change	Average P/D 5/31/2015	Average P/D 4/30/2015	Average 1 Mo P/D Change	Average YTD NAV Change	Average YTD Mkt Change	Average YTD P/D Change (%)
California Municipal Debt Funds	-0.76%	-2.42%	-3.22%	-1.58%	-1.64%	-1.69%	-0.21%	1.39%
Convertible Securities Funds	1.37%	-0.88%	-4.84%	-3.32%	-2.34%	2.55%	0.90%	-1.97%
Core Funds	0.38%	0.64%	-7.27%	-7.54%	0.32%	0.40%	1.21%	1.57%
Corporate BBB-Rated Debt Funds(Leveraged)	-0.67%	-1.42%	-9.69%	-9.00%	-0.69%	0.33%	0.54%	0.17%
Corporate Debt Funds BBB-Rated	-0.64%	-1.60%	-7.75%	-6.85%	-0.90%	-0.73%	-0.03%	0.66%
Developed Market Funds	-1.21%	-0.43%	-10.90%	-11.57%	0.67%	7.90%	8.96%	0.83%
Emerging Markets Funds	-1.07%	-0.35%	-8.37%	-9.49%	1.12%	4.69%	5.31%	0.75%
Emerging Mrkts Hard Currency Debt Funds	-1.33%	-1.82%	-11.39%	-10.97%	-0.42%	-0.79%	0.44%	1.04%
Energy MLP Funds	-3.16%	-4.47%	-7.48%	-6.21%	-1.27%	-4.44%	-7.68%	-3.82%
General & Insured Muni Debt Funds (Leveraged)	-1.09%	-2.94%	-7.42%	-5.64%	-1.78%	-2.00%	-1.80%	0.19%
General & Insured Muni Fds (Unleveraged)	-0.65%	-3.02%	-2.88%	-0.49%	-2.40%	-0.96%	-1.57%	-0.67%
General Bond Funds	-0.35%	-1.51%	-5.67%	-4.41%	-1.26%	0.02%	-0.49%	-0.32%
Global Funds	0.01%	-0.63%	-10.73%	-10.06%	-0.68%	1.87%	0.63%	-1.33%
Global Income Funds	-1.14%	-2.04%	-8.45%	-7.58%	-0.87%	-1.28%	-0.82%	0.34%
Growth Funds	-1.00%	1.66%	-9.77%	-11.99%	2.22%	-8.04%	2.33%	4.61%
High Yield Funds	-0.15%	-0.99%	-10.70%	-10.01%	-0.70%	0.49%	-1.17%	-2.00%
High Yield Funds (Leveraged)	-0.19%	-1.72%	-9.41%	-8.02%	-1.38%	0.47%	-1.99%	-2.61%
High Yield Municipal Debt Funds	-0.64%	-4.42%	-4.37%	-0.29%	-4.08%	-1.21%	-2.50%	-1.41%
Income & Preferred Stock Funds	-0.38%	-1.51%	-6.64%	-5.52%	-1.12%	0.52%	2.27%	1.37%
Intermediate Municipal Debt Funds	-0.91%	-2.65%	-5.38%	-3.66%	-1.72%	-1.62%	-1.62%	-0.06%
Loan Participation Funds	-0.22%	-1.43%	-8.34%	-7.21%	-1.13%	1.68%	3.26%	1.17%
Natural Resources Funds	-4.07%	-5.71%	-9.89%	-8.45%	-1.44%	-2.64%	-3.47%	0.82%
New Jersey Municipal Debt Funds	-1.27%	-3.50%	-9.11%	-6.94%	-2.17%	-3.13%	-1.18%	1.79%
New York Municipal Debt Funds	-0.67%	-2.00%	-5.81%	-4.50%	-1.32%	-1.91%	-0.11%	1.67%
Options Arbitrage/Opt Strategies Funds	0.84%	0.37%	-4.39%	-3.73%	-0.66%	2.13%	3.65%	1.32%
Other States Municipal Debt Funds	-0.83%	-2.22%	-6.17%	-5.15%	-1.42%	-1.74%	0.07%	1.70%
Pacific Ex Japan Funds	-2.26%	-2.63%	-11.68%	-11.35%	-0.33%	2.68%	0.45%	-2.16%
Pennsylvania Municipal Debt Funds	-0.55%	-2.36%	-11.65%	-9.17%	-1.61%	-1.45%	-2.81%	-1.20%
Real Estate Funds	-0.37%	-1.16%	-11.30%	-10.97%	-0.33%	-0.27%	-1.86%	-0.41%
Sector Equity Funds	1.09%	0.32%	-5.91%	-5.32%	-0.59%	4.51%	2.11%	-0.85%
U.S. Mortgage Funds	-0.18%	-0.46%	-9.04%	-8.78%	-0.26%	-0.04%	-0.97%	-0.69%
Utility Funds	-2.39%	-2.14%	-4.37%	-4.68%	0.30%	-3.49%	-3.14%	0.58%
Value Funds	0.21%	0.43%	-12.63%	-12.70%	0.06%	1.24%	-1.83%	-2.27%
Grand Total	-0.76%	-2.42%	-3.22%	-1.58%	-1.64%	-1.69%	-0.21%	1.39%

Top 5 Performing CEFs

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Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
Tekla Life Sciences Inv	Sector Equity Funds	HQL	6.5%	1
BlackRock Hlth Sciences	Sector Equity Funds	BME	6.2%	2
Columbia Sel Prm Tech Gr	Options Arbitrage/Opt Strategies Funds	STK	6.0%	3
Morg Stan India Inv	Emerging Markets Funds	IIF	5.4%	4
Tekla Healthcare Invest	Sector Equity Funds	HQH	5.3%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
Morg Stan China A	Emerging Markets Funds	CAF	27.1%	1
JPMorgan China Region	Emerging Markets Funds	JFC	22.9%	2
China Fund	Emerging Markets Funds	CHN	22.6%	3
Templeton Dragon Fund	Emerging Markets Funds	TDF	20.1%	4
Asia Pacific Fund	Pacific Ex Japan Funds	APB	18.4%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
Herzfeld Caribbean Basin	Emerging Markets Funds	CUBA	19.2%	1
BlackRock Hlth Sciences	Sector Equity Funds	BME	7.5%	2
Tekla Healthcare Invest	Sector Equity Funds	HQH	7.1%	3
Morg Stan India Inv	Emerging Markets Funds	IIF	5.9%	4
J Hancock Finl Opptys	Sector Equity Funds	BTO	5.2%	5

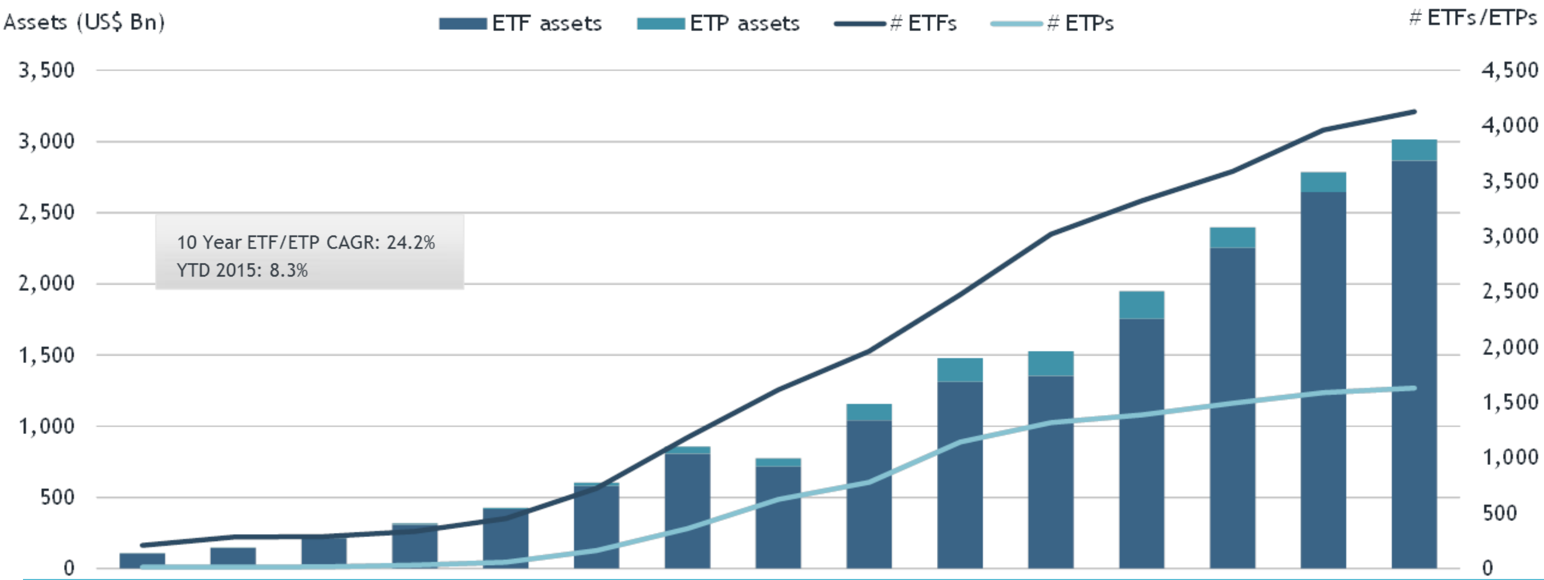
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
Herzfeld Caribbean Basin	Emerging Markets Funds	CUBA	32.2%	1
Templeton Russia & E Eur	Emerging Markets Funds	TRF	22.8%	2
Cornerstone Total Return	Core Funds	CRF	20.0%	3
JPMorgan China Region	Emerging Markets Funds	JFC	19.6%	4
Aberdeen Japan Equity	Developed Market Funds	JEQ	19.5%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
Herzfeld Caribbean Basin	Emerging Markets Funds	CUBA	30.3%	1
Cornerstone Prog Return	Growth Funds	CFP	6.3%	2
Aberdeen Israel Fund	Developed Market Funds	ISL	4.0%	3
Macquarie/FTGI/Utl D&I	Utility Funds	MFD	3.7%	4
Cornerstone Strat Value	Core Funds	CLM	3.5%	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
Herzfeld Caribbean Basin	Emerging Markets Funds	CUBA	44.5%	1
Cornerstone Total Return	Core Funds	CRF	30.3%	2
Cornerstone Strat Value	Core Funds	CLM	17.9%	3
Cornerstone Prog Return	Growth Funds	CFP	16.2%	4
DNP Select Income Fund	Utility Funds	DNP	10.4%	5

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

At the end of May 2015, the Global ETF/ETP industry had 5,757 ETFs/ETPs, with 11,117 listings, assets of US$3.015 trillion, from 255 providers on 62 exchanges.



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	May-15
# ETFs	209	284	289	335	451	725	1,184	1,614	1,962	2,474	3,020	3,323	3,588	3,962	4,126
# ETFs/ETPs	221	296	304	365	507	888	1,544	2,238	2,741	3,617	4,337	4,711	5,082	5,552	5,757
ETF assets	105	142	212	310	417	580	807	716	1,041	1,313	1,355	1,754	2,254	2,643	2,867
ETF/ETP assets	109	146	218	319	426	603	857	774	1,158	1,478	1,526	1,949	2,398	2,784	3,015

Summary for ETFs/ETPs: Global

Assets invested in ETFs/ETPs listed globally broke through the US$3 trillion milestone at the end of May to reach a new record of US$3.015 trillion in assets under management (AUM), according to ETFGI's preliminary monthly ETF and ETP global insight report for May 2015. At the end of May 2015, the global ETF/ETP industry had 5,757 ETFs/ETPs, with 11,117 listings, from 256 providers listed on 62 exchanges in 51 countries.

"Our forecast was that assets would break through US$3 trillion by the middle of 2015. It took the global ETF/ETP industry 19 years to reach US$1 trillion in assets under management, 23 years to reach US$2 trillion in AUM and just 25 years to reach US$3 trillion in AUM. The increasing rate of asset growth illustrates how ETFs have been embraced as an investment solution by institutional investors, financial advisors and retail investors around the world." according to Deborah Fuhr, managing partner of ETFGI.

Record levels of assets were also reached at the end of May for ETFs/ETPs listed in the United States at US$2.15 trillion and Japan at US$117 billion.

"In May the both the S&P 500 and the Dow were up 1% while, developed markets were down 1%, and emerging markets declined 3%." according to Deborah Fuhr, managing partner of ETFGI.

In May 2015, ETFs/ETPs listed globally saw net inflows of US$19.1 Bn. Equity ETFs/ETPs gathered net inflows of US$20.8 Bn, while fixed income ETFs/ETPs experienced net outflows of US$1.5 Bn and Commodity ETFs/ETPs had net outflows of US$912 Mn

Through the end of May record levels of net new assets (NNA) have been reached by ETFs/ETPs listed globally gathering US$127.6 billion which is a significant increase over the prior record of US$109.4 billion gathered in in the first five months of 2013. YTD products listed in Europe gathered US$39.2 billion which is significantly more than the prior record of US$26.4 billion gathered over the same period in 2014. ETFs/ETPs listed in Japan gathered US$14.5 billion, which is slightly higher than the US$14.3 billion gathered during the same period in 2014, and ETFs/ETPs listed in Canada gathered US$5.6 Bn which is slightly higher than the prior record of US$5.5 Bn gathered in the first 5 months of 2012.

Vanguard gathered the largest net ETF/ETP inflows in May with US$5.2 Bn, followed by Huatai-PB with US$3.4 Bn, WisdomTree with US$1.7 Bn net inflows and First Trust with US$1.6 Bn.

442 ETFs/ETPs have greater than US$1 Bn in assets, while 1,888 have greater than US$100 Mn in assets and 2,480 have greater than US$50 Mn in assets. The 442 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,444 Bn, or 81.2%, of Global ETF/ETP assets.

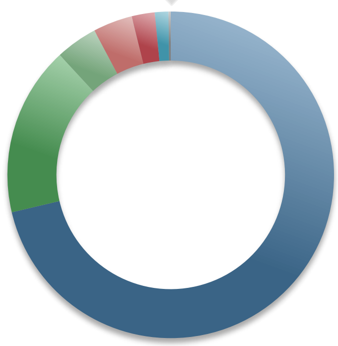
In May 2015, 58 new ETFs/ETPs were launched by 32 providers. 15 ETFs/ETPs closed. YTD through end of May 2015, 333 new ETFs/ETPs have been launched by 88 providers. 128 ETFs/ETPs have closed, with a total of 281 listings removed from 19 exchanges.

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.

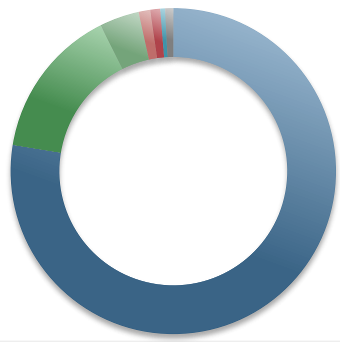
Global ETF/ETP Assets Summary

etfgi.com

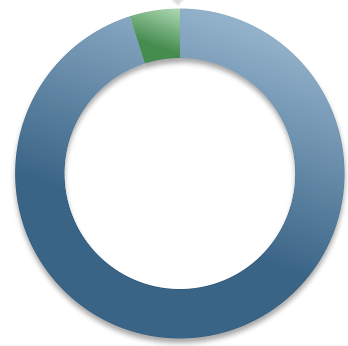
ETF/ETP assets by region listed



ETF/ETP assets by asset class



ETF/ETP assets by product structure



Region	# ETFs/ ETPs	Assets (US$ Bn)	% total
US	1,714	$2,150.1	71.3%
Europe	2,116	$506.5	16.8%
Asia Pacific (ex-Japan)	645	$125.0	4.1%
Japan	157	$117.5	3.9%
Canada	369	$68.7	2.3%
Middle East and Africa	707	$40.6	1.3%
Latin America	49	$6.5	0.2%
Total	**5,757**	**$3,014.9**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	3,076	$2,338.5	77.6%
Fixed Income	855	$454.3	15.1%
Commodities	712	$118.8	3.9%
Leveraged	329	$34.9	1.2%
Active	208	$29.7	1.0%
Leveraged Inverse	163	$14.5	0.5%
Others	414	$24.3	0.8%
Total	**5,757**	**$3,014.9**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
ETF	4,126	$2,867.4	95.1%
ETP	1,631	$147.6	4.9%
Total	**5,757**	**$3,014.9**	**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.

Global Year to Date Net New Assets

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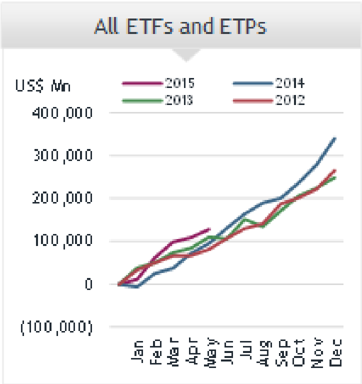
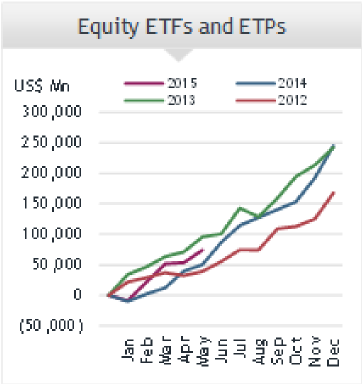
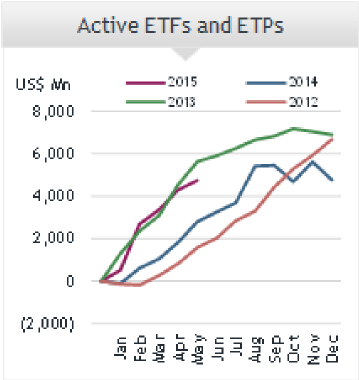
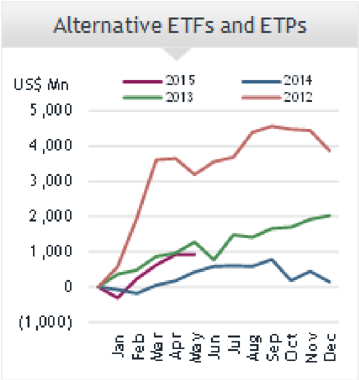
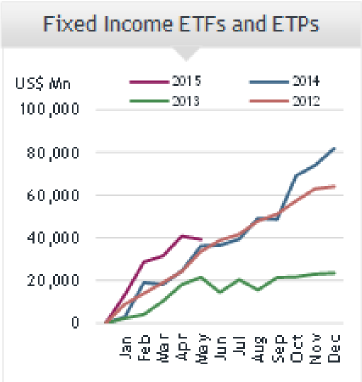
YTD 2013 vs 2012, 2011 ETF and ETP net new assets by asset class: Global

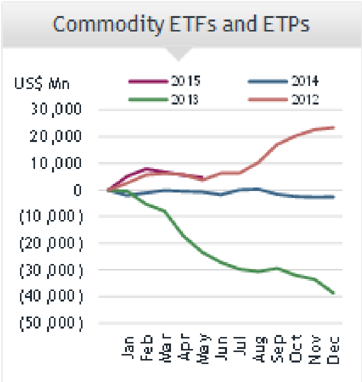


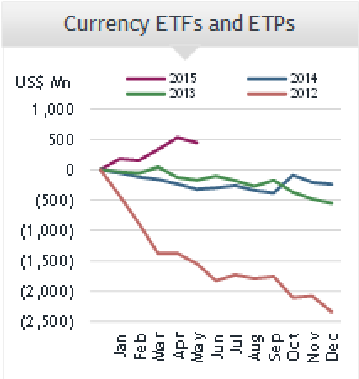


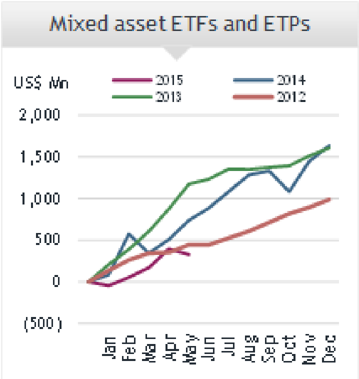












ETFs and ETPs listed globally gathered net inflows of $19,037 Mn in May. Year to date, net inflows stand at $127,546 Mn. At this point last year there were net inflows of $95,030 Mn.

Equity ETFs/ETPs saw net inflows of $20,789 Mn in May, bringing year to date net inflows to $73,997 Mn, which is greater than the net inflows of $50,377 Mn over the same period last year.

Fixed income ETFs and ETPs experienced net outflows of $1,540 Mn in May, reducing year to date net inflows to $39,335 Mn, which is greater than the same period last year which saw net inflows of $36,169 Mn.

Commodity ETFs/ETPs saw net outflows of $912 Mn in May. Year to date, net inflows are at $4,711 Mn, compared to net outflows of $712 Mn over the same period last year.

Actively managed products saw net inflows of $456 Mn in May, bringing year to date net inflows to $4,750 Mn, which is greater than the net inflows of $2,840 Mn over the same period last year.

Products tracking alternative indices experienced net inflows of $7 Mn in May, growing year to date net inflows to $922 Mn, which is greater than the same period last year which saw net inflows of $420 Mn.

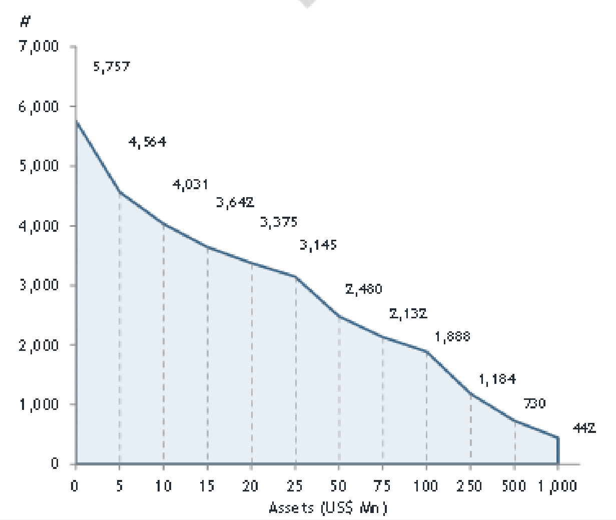
Currency products saw net outflows of $85 Mn in May. Year to date, net inflows are at $447 Mn, compared to net outflows of $320 Mn over the same period last year.

Products holding more than one asset class saw net outflows of $66 Mn in May, bringing year to date net inflows to $328 Mn, which is less than the net inflows of $740 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/ ETPs	% total	Total assets (US$ Bn)	% total
0	5,757	100.0%	3,009	100.0%
5	4,564	79.3%	3,006	99.9%
10	4,031	70.0%	3,003	99.8%
15	3,642	63.3%	2,998	99.6%
20	3,375	58.6%	2,993	99.5%
25	3,145	54.6%	2,988	99.3%
50	2,480	43.1%	2,964	98.5%
75	2,132	37.0%	2,943	97.8%
100	1,888	32.8%	2,922	97.1%
250	1,184	20.6%	2,808	93.3%
500	730	12.7%	2,646	87.9%
1,000	442	7.7%	2,444	81.2%

442 ETFs/ETPs have greater than US$1 Bn in assets, while 1,888 have greater than US$100 Mn in assets and 2,480 have greater than US$50 Mn in assets. The 442 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,444 Bn, or 81.2%, of Global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) May-15	NNA (US$ Mn) May-15	NNA (US$ Mn) YTD 2015
S&P 500 Index	348,116	1,483	(25,939)
MSCI EAFE Index	63,799	2,135	3,219
CRSP US Total Market Index	55,112	1,495	2,753
Nikkei 225 Index	51,374	1,334	3,523
NASDAQ 100 Index	44,814	769	(2,157)
S&P Mid Cap 400 Index	43,059	736	901
TOPIX Index	40,710	995	1,682
EURO STOXX 50 Index	33,249	700	2,651
Russell 2000 Index	29,969	(1,118)	(2,424)
Russell 1000 Growth Index	29,580	287	132
MSCI Japan Index	29,513	1,184	55
MSCI US REIT Index	28,455	5	562
Russell 1000 Value Index	26,548	142	(20)
FTSE Developed ex North America Index	25,503	(665)	(432)
DAX Index	21,617	1,176	1,837
NASDAQ Dividend Achievers Select Index	21,176	(583)	(468)
MSCI World Index	20,998	239	692
S&P Financial Select Sector Index	18,885	(136)	(2,220)
CRSP US Large Cap Growth Index	18,848	306	719
CRSP US Large Cap Value Index	18,231	156	756

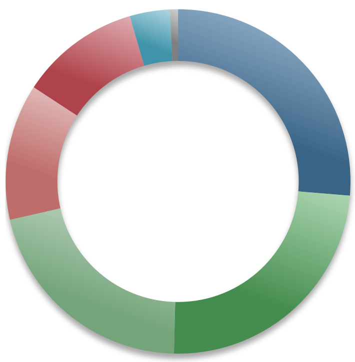
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.

Top 20 by monthly net inflows

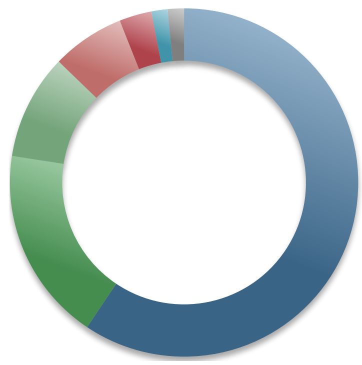
Name	Assets (US$ Mn) May-15	NNA (US$ Mn) May-15	NNA (US$ Mn) YTD 2015
Wisdom Tree Europe Hedged Equity Index	12,132	2,432	5,331
MSCI EAFE Index	63,799	2,135	3,219
MSCI EAFE IMI Index USD	5,136	1,499	1,674
CRSP US Total Market Index	55,112	1,495	2,753
S&P 500 Index	348,116	1,483	(25,939)
Nikkei 225 Index	51,374	1,334	3,523
MSCI EMU Index	13,774	1,318	1,788
MSCI Japan Index	29,513	1,184	55
DAX Index	21,617	1,176	1,837
TOPIX Index	40,710	995	1,682
NASDAQ 100 Index	44,814	769	(2,157)
S&P Mid Cap 400 Index	43,059	736	901
MSCI Germany Index	6,193	720	997
FTSE Developed Europe Index	12,919	700	763
EURO STOXX 50 Index	33,249	700	2,651
MSCI Germany 100% Hedged to USD Index	990	663	745
MSCI Europe Index	12,645	573	877
STOXX Europe 600 Index	9,195	537	678
WisdomTree Japan Hedged Equity Index	14,174	507	1,202
S&P Energy Select Sector Index	12,741	499	786

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	35	26.3%
US	32	24.1%
Asia Pacific (ex-Japan)	28	21.1%
Canada	17	12.8%
Japan	15	11.3%
Middle East and Africa	5	3.8%
Latin America	1	0.8%
Total	**133**	**100.0%**

Asset class	# ETFs/ETPs	% total
Equity	79	59.4%
Fixed income	24	18.0%
Leveraged	13	9.8%
Active	9	6.8%
Leveraged Inverse	4	3.0%
Inverse	2	1.5%
Others	2	1.5%
Total	**133**	**100.0%**

Structure	# ETFs/ETPs	% total
ETF	257	77.2%
ETP	76	22.8%
Total	**333**	**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.

U.S. Senior Fixed-Income Investor Survey April 2015

May 19, 2015

Authored by:
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Economic Growth Outlook Weakens: U.S. credit investors were a little more cautious on the economic outlook for the U.S. in our April survey than six months ago. However, expectations were much more optimistic than for the eurozone. For the U.S., 84% anticipated economic growth above 2% in the next 12 months but only 1% of those polled foresaw this outcome for the eurozone.

Eurozone Troubles Affect U.S.: Eurozone economic recovery was viewed as the second most important factor – behind improved labor market conditions – supporting credit markets and ensuring sustained economic recovery in the U.S. Only 55% of survey respondents expected financial stability in the eurozone over the next year, down from 81% in September.

Click here for complete reading

Rating Actions

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

- **Fitch Affirms VMTP Shares Issued by 9 Invesco Closed-End Funds at 'AAA'' – May 1, 2015**
- **Fitch: Kayne Anderson Notes PIF – May 6, 2015**
- **Fitch Publishes Updated Global SF & Covered Bonds Criteria Hierarchy – May 11, 2015**
- **Fitch Affirms FMTP Issued by MainStay DefinedTerm Municipal Opportunities Fund at 'AAA'' – May 15, 2015**
- **Fitch Rates VMTP Shares Issued by Nuveen Closed-End Funds – May 19, 2015**
- **Fitch Takes Rating Actions on Nuveen Muni CEF Preferred Shares – May 21, 2015**
- **Fitch Takes Rating Actions on Nuveen Muni CEF Preferred Shares – May 27, 2015**

First Trust

Limited Duration Closed-End Funds Performing Well in 2015

May 27, 2015

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

At the end of March I wrote about how, after a difficult 2014,senior loan closed-end funds (CEFs) were off to a strong start to the year in 2015. Senior loan CEFs continue to perform well this year and are now up 6.93% (as of 5/21/15 according to Morningstar on a share price total return basis). Another category I continue to advocate diversified CEF investors have exposure to is limited duration CEFs. Similar to senior loan CEFs, limited duration CEFs had a disappointing year in 2014 rising on average only 0.56% on a share price total return basis, according to Morningstar. However, just as is the case with senior loan CEFs, performance has improved in 2015 for limited duration CEFs. Indeed, according to Morningstar, the average limited duration CEF is up 3.93% on a share price total return basis as of 5/21/15. In my opinion, there are likely two key reasons for the improved performance for limited duration CEFs so far in 2015 including:

1. Investors are in the very early stages of beginning to shorten durations in their fixed-income portfolios. After years of declining long term interest rates and after years of a federal funds rate at 0-0.25%,based on comments from the Federal Reserve investors are beginning to prepare for the potential for the federal funds rate to be raised at some point in 2015. Furthermore, long term interest rates have recently been trending higher.

2. Investors are finally beginning to take advantage of the very wide and attractive discounts to net asset value (NAV) the average limited duration CEF is trading at. Indeed, as of 5/21/15, the average limited duration CEF was at an 11.02% discount to its NAV. This is significantly wider than the average discount to NAV of 2.98% they were trading at three years ago as well as wider than the average discount to NAV they were trading at ten years ago of 4.96%, according to Morningstar.

With our Economics team forecasting a slow and gradual rise for both short and long term interest rates beginning in 2015 and continuing into 2016, I continue to be an advocate for CEF investors having exposure to limited duration CEFs. The limited duration, attractive wide discounts to NAV as well as the very compelling share price distribution rates (according to Morningstar the average limited duration CEF had a share price distribution rate of 7.64% as of 5/21/15) are three key reasons I believe limited duration CEFs should be included as part of a diversified CEF portfolio.

Click here for complete reading

Canadian Fixed Income

May 2015

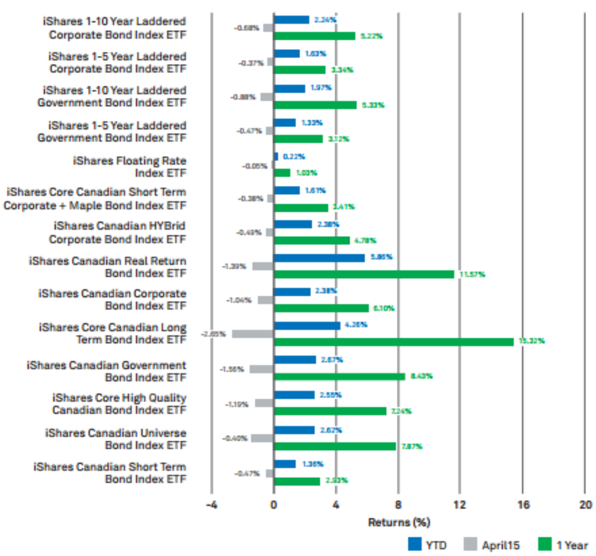
Authored by:
Aubrey Basdeo
Managing Director, Fixed Income Portfolio Management Group
BlackRock

Market Review

April Review

- The iShares fixed income suite returned between -2.65% and -0.05% in April
- The negative performance of the fixed income funds can be attributed to the significant increase in interest rates across the curve. The Government of Canada 10 year yield closed the month of 1.58%, up 23 basis points from the end of March
- Funds with corporate exposure were slightly better off than funds with government exposure as their higher yields and exposure to credit spreads helped mitigate the effect of rising interest rates. For example, the 1-5 Year Laddered Corporate Bond Index Fund (CBO), which has short duration corporate exposure returned -0.37% while 1-5 Year Laddered Government Bond Index Fund (CLF) returned -0.47%.

FIGURE 1: FIXED INCOME ETF RETURNS



Rates: still looking lower for longer

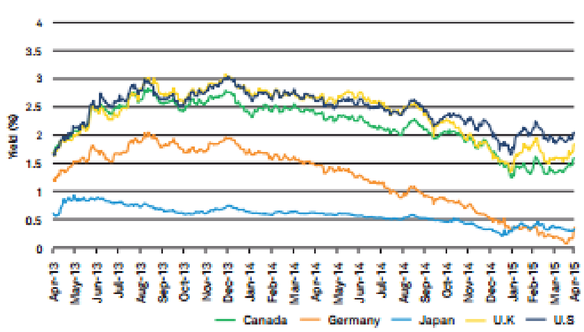
April showers bring May flowers, so the saying goes, and we saw a similar phenomenon at play in Canadian fixed income last month. Canada 10-year bond yields rose significantly through April, on expectations that the worst of the economic news was over and a spring/summer rebound was in the offing. Markets prepared for the potential that the low-growth story that's dominated the Canadian economy was set to change, as a week first quarter ended and expectations that growth will rebound in the United States and Canada will enjoy the knock-on effects. The get back to our analogy, the markets in April were pricing in flowers for May.

Markets might be getting ahead of themselves, however. On the surface, nothing significant has changed in the Canadian growth story, and what's driving the yield rebound is really a shift in market sentiment. Admittedly, there is some rationale for such a shift. For one, there is a feeling that the first quarter, when Canadian GDP growth for the first two months of the quarter showed a contraction and flat growth, was so bad in part because the long, hard end of winter in both Canada and the United States kept consumers and businesses from spending. Now, with the effect of weather behind us, you would expect normal demand to return. Second, markets are responding to what looks like some wage pressure in the U.S., resulting from a tighter labor market. And third, oil seems to have bottomed, so the disinflationary impact of lower crude prices may be behind us.

Put it all together, and the overall expectation seems to have changed from one where people were worried about deflation to one where inflation risks seems to be reasserting themselves. In the United States, despite weak first-quarter data and signs of dovishness from the Federal Reserve, investors are shifting focus to these inflationary factors, and the only question now is when the Fed will hike rates. With June apparently off the table, most expect it to come in September, if not later. Much of the movement in Treasury yields through April resulted from markets trying to price in the shift, and so yield spurted upwards.

Meanwhile, the Bank of Canada has been adamant that the not-quite "atrocious" economic performance of the first quarter is a case of "one and done". The consistent story from Governor Stephen Poloz is that the economy has absorbed most of the impact of lower oil prices; with oil prices stabilizing; the U.S. leading a growth charge and Canadian exports benefitting from that, the economy is set to heat up right along with the weather.

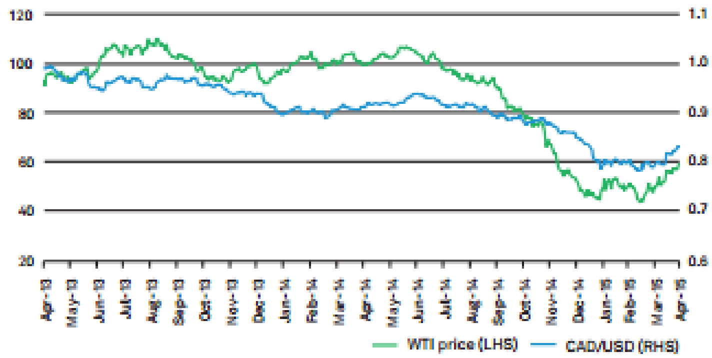
GOVERNMENT BONDS SURGE HIGHER IN GLOBAL RE-PRICING



Source: Bloomberg

A big part of this story is the assertion that the Bank's 25 bps cut in January was enough "insurance," to use Poloz's word, to help the economy deal with the oil shock. Now, with things looking rosy, the Bank is, in effect, done. Investors have taken notice, pushing long yields up and the Canadian dollar along with them. The CAD strengthened by 4.73% against the U.S. dollar, ending the month at about US83 cents.

BOTH CAD AND OIL PRICES STRENGTHEN IN APRIL



Source: Bloomberg

This is something investors will want to pay attention to, because it presents a major challenge to the Bank of Canada's rebound scenario. The fact is, the rising loonie simply does not jibe with Canadian manufacturing performance so far. Manufacturing sector data has been very weak despite the weak currency, and the soaring dollar will only exacerbate its already poor performance. If manufacturing wasn't doing so well with the loonie at 120, how can it do much better with a 128 loonie, even assuming significant growth in demand?

Speaking of demand, the market is banking on the data starting to revive in the U.S., but while it is still early days, that hasn't happened. With further patience coming out of the Fed's April 29 meeting, a September (as opposed to June) rate hike is now being priced into U.S. Treasury yields; if the data don't recover, that could get pushed back to December. At some point, the bloom may come off the rose, and the Bank of Canada will have to respond.

Similarly, it is not at all clear to us that the oil price shock has truly worked itself through the Canadian economy. Yes, conflict in the Middle East and local factors seems to have stabilized prices for now, but the world is still awash in supply, which continues to outpace demand. The same could be said for commodities in general – copper, iron, molybdenum, you name it. With commodities prices low or declining, exporters are responding by simply selling more to realize the same revenue they did a year ago (one of the main reasons that oil production, for instance, hasn't declined as it should, given lower prices). Oversupply is still a big issue in commodities markets, and it will take time for them to achieve balance.

This does not bode well for Canadian growth. Yes, the Bank sees strong data at the moment, and markets are anticipating a second-half rebound. We believe, however, that the full impact of commodity prices has yet to be felt across the economy, and that the dollar rally is doing nothing to help an already debilitated manufacturing sector.

The Bank of Canada has declared itself data-dependent, so it will wait for the day when the growth picture definitely points in one direction or the other. We see a low rate environment persisting, with the 10-year bond yield in the 1.25% to 1.75% range. And given our outlook, we still expect the Bank of Canada's to lower the overnight rate again this year.

How to take advantage

Despite rising 10-year Canada yields and a strengthening dollar in April, the underlying story still supports slow Canadian growth and historically low rates for 2015. We see a high likelihood of further easing, and the overall interest rate picture remaining low for longer. In the U.S., rate hikes from the Fed are likely to come later than previously expected and probably will not begin until at least September, given the weak evidence for strong U.S. growth. Volatility, as central banks assume a data-dependent stance, will continue to be the norm.

For investors, low yields and high volatility mean that taking on duration risk is likely to have a very poor outcome, and we are seeing an asymmetric risk-return profile the further one goes out on the yield curve. Rates are going to move higher at some point, but for now the only place offering adequate compensation for risk is on the short end of the curve. Investors should consider keeping fixed income durations short and looking for return when they can find it, namely in high-yield and credit.

Fixed Income Model Portfolios

For investors seeking low cost, diversified fixed income solutions, below are two fixed income model portfolios built using iShares ETFs. Either portfolio could be used as a complete standalone fixed income solution or as a complement to an existing fixed income portfolio. These portfolios have been created by the BlackRock Fixed Income Strategy team and will be reviewed regularly and updated as needed based on their outlook.

iShares Strategic Fixed Income Model Portfolio:
The strategic fixed income model portfolio offers a convenient way to obtain broad based exposure to primarily investment grade (BBB and above) fixed income securities and is diversified by issuer, credit quality and maturity.

iShares Tactical Fixed Income Model Portfolio:
Once a low cost and efficient portfolio is built, tactical positions may be taken depending on an investor's particular market outlook and risk tolerance. The tactical fixed income model portfolio builds on the strategic model with additional exposures added based on the BlackRock Fixed Income Strategy team's market outlook.

Click here for complete reading

The Benefits of Real Assets Diversification in Defined Contribution Plans

May 2015

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

For generations of employees, the defined benefit plan dominated the arena of employer-sponsored retirement plans. But this has changed with the rise of defined contribution (DC) plans—most notably 401(k)s—now the most widely used vehicle for retirement savings in the U.S. One aspect of this evolution is the shift away from institutionally managed retirement assets to a self-directed system, which places the investment decision-making process in the hands of the employee.

In our view, what employees have gained in the control over their assets is not without consequences, especially when it comes to decisions about asset allocation. For example, the institutionally focused managers of defined benefit plans have long recognized the diversification benefits of alternatives, characterized by non-traditional sources of return and low stock/bond correlations. In contrast, employee-directed defined contribution plans have been much slower to adopt these strategies. If history is a guide, these strategies not only provide diversification potential, but also have the potential to enhance long-term returns and hedge against the impact of inflation.

Cohen & Steers' research suggests that these trends are changing, as more plan sponsors recognize the need to diversify assets beyond the confines of traditional stock and bond portfolios. Our paper explains why this is important, and then introduces a multi-asset-class solution for meeting this objective with liquid real assets.

Executive Summary

Traditionally, the allocation models for defined contribution plans have been designed to focus on stocks and bonds, primarily through investments in mutual funds and other pooled vehicles. This is a classic mix that has been buoyed, in part, by the great bull market for bonds, in place since the 1980s. But now, there is a far less certain future for fixed income, given the prospects for years of quantitative easing to wind down. As this occurs, interest rates are likely to move higher, making bonds less attractive—and possibly less effective in offsetting the inherent volatility of stocks.

We see this scenario as a material risk for plan participants who will need to rely on the purchasing power of their investments in retirement. With this in mind, diversifying beyond stocks and bonds could take on a new level of importance in the years to come. We believe that the distinct and complementary return profiles of liquid real assets—real estate, commodities, natural resource equities and global listed infrastructure—can be an effective way to achieve this type of diversification. Historically, they have also shown the potential to help reduce portfolio volatility, when combined in a coherent and properly managed investment framework.

For the plan participant, such a strategy would add:
• A non-traditional source of diversification
• Long-term return potential over a full-market or economic cycle
• Characteristics with the potential to counterbalance the long-term effects of inflation.

Institutional investors have long recognized the merits of these characteristics with their investments in real estate, natural resources and infrastructure. While some access these strategies through private vehicles, many employ listed strategies, which are more broadly available through mutual funds, collective investment trusts and other institutional vehicles. This trend has been growing since the financial crisis, which was a vivid reminder of the value of liquidity.

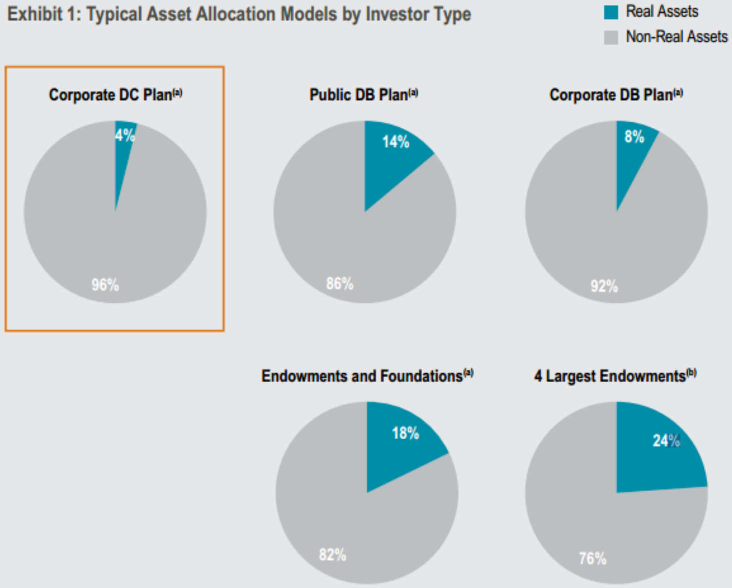
For the plan sponsor who walks the fine line between i) an investment menu that encourages sensible asset-class diversification, and ii) an overload of choices that promotes poor participant choices, we advocate for a single-option, multi-assetclass real assets strategy that is actively managed. Our paper explores this approach based on three common-sense objectives for the defined contribution plan participant: asset-class diversification, total-return potential and inflation protection. For the purpose of this analysis, most of the exhibits use the S&P 500 Index as a proxy for stocks and the BofA Merrill Lynch U.S. 7-10 Year Treasury Index as a proxy for bonds.

The Lessons Learned from Institutional Investors

A recent survey conducted by Greenwich Associates points to the growing role of alternatives in the investment strategies of institutions, such as corporate and defined benefit plans, endowments and foundations. To this point, 97% of institutions surveyed invest in real assets, usually as part of an allocation to alternatives. The largest concentration of real assets was found among endowments and foundations, averaging about 18%. Public and corporate defined benefit plans were not far behind, with a range of 8–14%. However, the real asset allocations of defined contribution plans (primarily to real estate and commodities) were notably much smaller at just under 5%.

In our view, the relatively low real asset allocations of defined contribution plans, compared with those of other types of institutions, lend support for exploring the investment merits of these alternatives. Our paper builds a three-part investment framework for analyzing real assets, constructed around investment objectives common to most long-term investors: i) the need for non-traditional sources of diversification, ii) long-term return potential over a full-market cycle and iii) inflation protection. All of our models are based on liquid asset classes, recognizing that defined contribution plans have an ongoing need for daily liquidity.

Exhibit 1: Typical Asset Allocation Models by Investor Type



Constructing a Diversified Real Assets Framework

The Fundamental Characteristics of Real Assets

Cohen & Steers' research framework is focused on four real asset categories— real estate, commodities, natural resource equities and infrastructure—all of which share something in common. Each reflects exposure to tangible real assets. Yet each category has distinct drivers of risk and return, which generally lead to relatively low correlations with one another and with stocks and bonds. As a result, real asset categories often perform well at different stages of economic, inflation and interest-rate cycles.

Endowments and other institutions have long turned to real assets as a tool for diversifying portfolios beyond traditional equity and fixed income allocations. In our view, this type of diversification tackles one of the biggest risks we see for investors with a long-term investment horizon: that is, the long-term impact on performance from periods when stocks and bonds are underperforming their long-term averages at the same time. We believe that liquid real assets, which have historically realized strong returns during these periods, can help mitigate these risks.

Real assets have also shown the potential to provide attractive returns across a full-market or economic cycle, while exhibiting greater sensitivity to inflation than either stocks or bonds.

In the following sections, we delve more deeply into the historical performance characteristics of real assets as they pertain to diversification, long-term total returns and inflation sensitivity.

Diversification Potential

For plan sponsors, there is a fine line between having sufficient choices for adequate asset-class diversification and an excess of choices that can lead participants to make poor investment decisions. Give investors too many options, and they are more likely to make tactical adjustments to chase performance as market conditions change, rather than sticking with a long-term allocation strategy. To counteract this behavior, many sponsors have turned to target-date funds as the default option. But, few of these options are diversified outside of stocks and bonds, with allocations adjusted periodically for the participant's years to retirement.

Although a portfolio allocated exclusively to stocks and bonds (represented by U.S. Treasury securities) over the past decade generated a respectable 7.6% annualized return through March 31, 2015, these results ignore an inherent market risk—one that could rise measurably in the years to come.(1) That is, the negative impact of periods when stocks and bonds simultaneously underperform their long-term averages.

Over the past 10 years, stock and bond investors witnessed exceptional diversification benefits from the unusually low correlation between the two asset classes and few periods in which stocks and bonds underperformed at the same time.

But when we expand this time frame to encompass the longer 42-year period, stock and bond returns were actually positively correlated.(1) There was also a much higher frequency of joint stock and bond underperformance.

Exhibit 2: Long-Term Equity and Fixed Income Performance
Annualized Returns at a Glance

	Percent of Rolling One-Year Periods With Joint Stock/Bond Underperformance	Equity/U.S. Treasury Correlations
Trailing 10 Years	10%	-0.28
Long-Term Average (42+ years)	22%	+0.09

At March 31, 2015. Source: Bloomberg and Cohen & Steers.

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

Correlation measures how closely two data series move in relation to one another. Stocks are represented by the S&P 500 Index. U.S. Treasuries are represented by the BofA Merrill Lynch U.S. 7–10 Year Treasury Index. See page 10 for index definitions.

For plan participants, there is a key lesson to be learned from this example: returns from a portfolio balanced between stocks and bonds over the past 10 years may not reflect the participants' experience over the next 20 to 30 years—time frames likely to be critical in meeting their long-term investment goals. Notably, the frequency of periods in which stocks and bonds (U.S. Treasuries) simultaneously underperformed over the past decade has been low, supported in large part by the strong negative correlation between the two asset classes. For investors concentrated in stocks and bonds, a greater frequency of joint underperformance would heighten the risks of reducing a portfolio's long-term purchasing power.

In our view, these investors would be well-served by adding allocations with the potential to buoy returns under these conditions. At the same time, such an alternative allocation should also have the investment merit to generate attractive long-term returns, while providing a hedge against inflation.

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REIT Correlations Have Returned to Historical Norms

May 2015

Authored by:
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Cohen & Steers

Investors are paying closer attention to the fundamental drivers of REIT cash flows, and the asset class is once again reflecting traditional diversification attributes.

REITs have historically been excellent diversifiers, providing returns that are not correlated with stocks or bonds. However, during the global recession and credit crisis, return patterns for REITs and other stocks converged, as the strains affecting financial markets affected many industries and asset classes in similar ways. REITs continued to trade closely with the stock market until 2012, when correlations across a wide range of sectors and asset classes began to trend lower. Today, correlations for both the U.S. and global real estate securities markets have settled back to levels more typical of their historical behavior.

We believe the decline in correlations reflects the normalization of global financial markets post-crisis and the recovery in economic growth. As credit markets have stabilized and tenant demand has rebounded, REITs are benefiting from more predictable cash flows and cash-flow growth. To this point, U.S. REITs have broadly outperformed U.S. stocks year to date after widely lagging in 2013, benefiting from strengthening tenant demand, job growth and limited new supply for most property types.

The Four Pillars of REIT Investing

Low correlations are just one of four characteristics that have helped real estate securities add value to a financial asset portfolio of stocks and bonds. These "Four Pillars" of REIT investing have been remarkably reliable over time, grounded in the underlying strengths of the asset class. Below we provide some highlights based on U.S. REIT performance.(1)

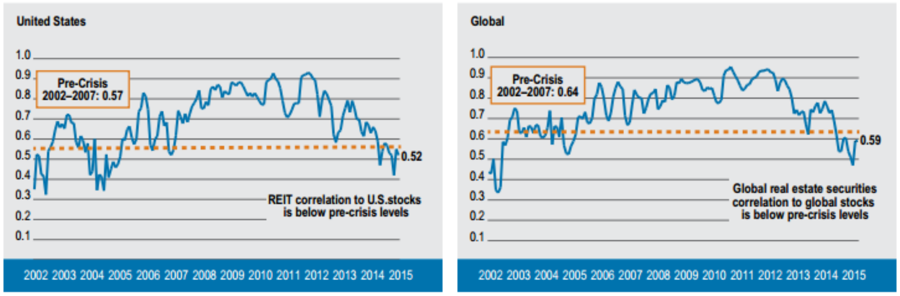
1. Competitive total returns appear to be linked to economic growth and the inflation-hedging characteristics of real assets. Since the end of 1992, which roughly marks the beginning of the modern era for U.S. REITs, total returns have averaged 11.3% per year.
2. Potential for attractive and growing dividend income resulting from REITs' high minimum distribution requirements and strong cash-flow growth. Since the end of 1992, the annual cash-flow and dividend growth of U.S. REITs have averaged 9.0% and 5.9%, respectively.
3. Moderate volatility due to business models focused on owning long-lived assets that produce predictable cash flows tied to leases. After peaking in 2009, the volatility of U.S. REITs is currently near pre-crisis levels, as measured by standard deviation.
4. Low correlations with stocks and bonds, driven by the underlying qualities of commercial real estate cash flows, cash-flow growth and risk premiums. The correlations of U.S. REITs to U.S. stocks is below pre-crisis levels.

Shifting Market Dynamics Point to the Importance of Active Management

The decline in correlations is occurring at a time when global economic trends are diverging and monetary policies are heading in separate directions. In this environment, some types of real estate securities are likely to perform much differently than others based on their relative sensitivity to economic cycles.

For instance, REITs that own properties with short lease durations such as hotels and self storage may perform better than others when economic conditions are getting stronger. These companies are able to adjust rents quickly to capture changes in demand, resulting in stronger cash-flow growth. Companies with more bond-like cash flows may exhibit more defensive qualities, potentially outperforming in periods of uncertainty. Active managers have the ability to dynamically adjust a portfolio's assets based on their economic outlook, focusing on companies and property markets that they believe are best-positioned for a particular environment.

Correlation of REITs and the Stock Market
Rolling Three-Month Periods (2002–2015) and Five-Year Pre-Crisis Period (2002–2007)



At April 30, 2015. Source: Cohen & Steers and Morningstar.
Performance data quoted represents past performance. Past performance is no guarantee of future results.
Correlation is a statistical measure of how two data series move in relation to each other. U.S. correlations based on the FTSE NAREIT Equity REIT Index and the S&P 500 Index; global correlations based on the FTSE EPRA/NAREIT Developed Real Estate Index and the MSCI World Index. See index definitions and additional disclosure on the reverse side.

Click here for complete reading

Municipal Quarterly Update – 1st Quarter 2015

May 15, 2015

Executive Summary

Uncertainty abounded in the municipal bond market in the first quarter of 2015; likewise the same could be said of fixed income as a whole. The year began with market consensus believing rates would rise during the first quarter of 2015 in anticipation of possible Federal Reserve (Fed) tightening mid-year. Instead, weaker than expected U.S. economic news and persistent international concerns weighed on yields, as a flight to safety, attractive U.S. Treasury yields versus other sovereign debt,and sentiment changes regarding Fed timing pulled in the opposite direction and created pronounced rate movements in both directions. By the end of March, municipal yields were relatively flat compared to the beginning of the quarter with the yield on 10-year AAA municipal bonds falling--contrary to expectations--eight basis points (bps) to 1.93%. The yield on 10-year U.S. Treasuries dropped a more marked 30 bps during the period, causing solid municipal returnsto lag behind those on Treasuries. For the three months ended March 31, 2015, the Barclays Municipal Bond Index eturned 1.01%. The Barclays Revenue Bond Index and Barclays High Yield (Non-Investment Grade) Index were slightly stronger at 1.13% and 1.11%, respectively. By comparison, the Barclays U.S. Treasury Index returned 1.64% during the quarter. We believe the positive performance of the municipal market, while slightly underperforming relative to Treasuries, is primarily due to the following factors:

• Lower U.S. Treasury yields as the American economy showed signs of what we believe is temporary weakness. As economic indicators began to lag behind the last nine months of 2014, slowdown fears began to creep into the market with consensus now pointing to the Fed starting to normalize rates late in 2015, allowing rates to drift lower. Additionally, an influx of foreign demand for U.S. Treasuries associated with comparatively lower nominal rates abroad and uncertainty surrounding situations in the Ukraine and Middle East put downward pressure on rates.

• Counterbalancing shift in the supply and demand dynamic in the municipal market,itself. The pace ofsupply has exploded year-to-date (YTD) on the back of ballot box initiatives, borrowers' efforts to secure financing ahead of anticipated rate hikes, and much larger than forecasted refunding activity--driving issuance up 63% year over year. Set against consistent demand, the increased pace of supply has disjointed the normal correlation with the Treasury market and put upward pressure on municipal rates, causing returns to lag behind those of U.S. Treasuries.

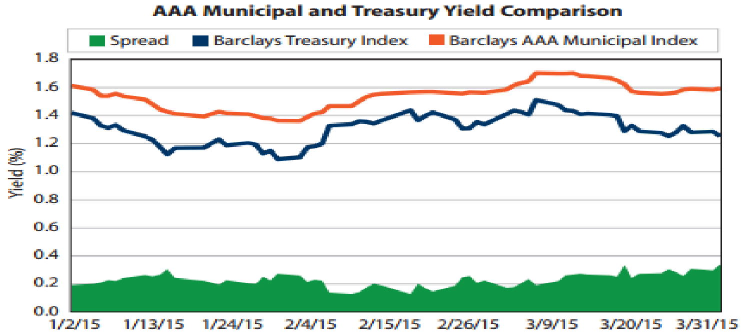
• Credit fundamentals in the municipal market improved as state and local revenues continued to increase. The market recognized the positive trend and credit spreads compressed accordingly.

What is our outlook for the remainder of 2015? We stated in our January 2015 outlook that we expect municipal rates to increase approximately 50-75 bps throughout the year, and we continue to hold to the lower end of this range. While municipal market rates have been nearly flat through the first quarter, we remain confident rates will rise for a number of reasons. Poor weather and West Coast port strikes experienced in the first quarter have ended. We believe that weaknesses in the U.S. economy will be moderated by pent-up demand driving growth through the remainder of the year. With renewed signs of strength, we think Janet Yellen's quantitative benchmarks will be met and a Fed rate increase will again be on track for the second half of the year. We also anticipate a supply and demand imbalance in the municipal market to be exacerbated by the end of the third quarter, as borrowers continue to secure financing ahead of expected rate hikes that will be coupled with weakening demand, as we expect mutual fund flows to turn negative in a rising rate environment. Given our expectation for higher yields, we believe total return investors should consider positioning their portfolios in a more defensive manner by underweighting longer-duration and leveraged strategies, and moving to the intermediate portion of the municipal yield curve where bonds are typically less interest-rate sensitive and benefit from the steeper yield curve slope. Historically rising rates, as noted before, tend to drive retail withdrawals from the municipal market, and felt most acutely in longer duration strategies. Furthermore, given our expectation for tighter Fed monetary policy later this year, we also underweight the 1-5 year portion of the municipal yield curve in anticipation that higher short-term rates will cause this portion of the municipal yield curve to underperform. Given improving credit quality and ample credit spreads, we continue to overweight 'A' and 'BBB' rated revenue bonds as well as select high-yield and non-rated securities. This is born out of our belief that municipal credit quality is essentially mispriced and investors are more than compensated for buying these rating categories, particularly given our expectations that credit fundamentals will remain healthy through the remainder of the year.

A Look Back at the First Quarter of 2015

The Treasury market reacted strongly to weakness in the U.S economy. As the Treasury market goes, so goes the customarily tethered municipal market. But in the first quarter of 2015 that wasn't entirely the case as technical factors unique to the municipal market caused it to untether, so to speak. Both Treasury and municipal yields were volatile from January through March, as the Barclays Treasury Index vacillated between 1.09% and 1.51% while the Barclays AAA Municipal Bond Index fluctuated between 1.36% and 1.70%. However, as the chart below demonstrates, the correlation between the two wasn't uniform. Despite the turbulence, municipal yields ended nearly where they started.

AAA Municipal and Treasury Yield Comparison



Source: Barclays. For illustrative purposes only. Past performance is no guarantee of future results.

So why the peaks and valleys? In a word :uncertainty .Uncertainty related to the soundness of the U.S. economy, the timing of rate hikes, international pressures, and the supply/demand imbalance in the municipal market, to name a few.

Macro Headwinds Prevail

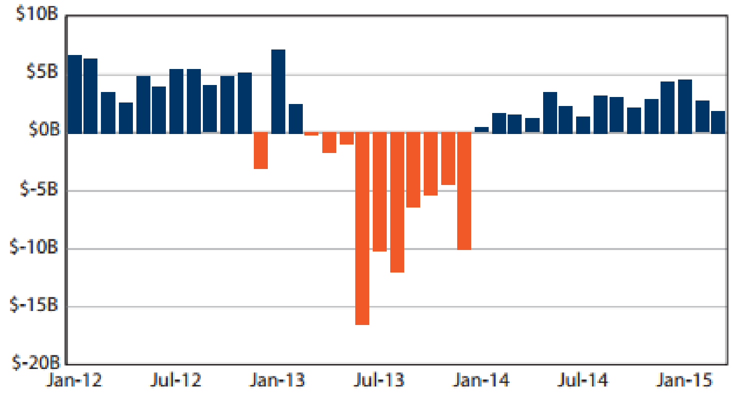
At the forefront of the investors' minds in the first quarter was the U.S. economy and what that could mean for the timing of rate hikes. Throughout the quarter, investors were forced to grapple with somewhat disappointing economic indicators after they had just enjoyed nine months of booming results. Indeed, during the first quarter, the U.S. economy did experience softer economic releases including ISM manufacturing, durable goods excluding transportation, and retail sales. Investors extrapolated disappointing economic news and came to the conclusion that the U.S. economy has finally started to show some cracks. The market seems to have forgotten about Q1 of 2014 when GDP was-2.1% before rebounding to 4.6% and 5% in quarters two and three, respectively. The extrapolation was undoubtedly aided by a chorus of analysts looking to bolster their credentials by "calling" the next recession. In our view, however, parroting the same gloomy narrative for what is now pushing a decade seems to be using the same logic as a broken wristwatch: it's technically "correct" twice a day but it doesn't mean anything. As a result, investors started questioning the timing of rate hikes. Once assumed to be in mid-2015, the market now seems to think that the sub-par first quarter economic growth will result in the timing of Fed hikes being pushed back to late 2015 or even into 2016.Underthis new set of beliefs, the market didn't see rate hikes as imminent, and therefore, the historical increase in Treasury yields in the lead up to anticipated rate increases never materialized .

International concerns also remain a persistent source of uncertainty. The U.S. has been a source of economic strength even as the Eurozone has slowed to anemic growth. The slow Eurozone growth has increased flows to U.S. markets in a search for yield but has also stoked concerns that a contagion affect will eventually drag down growth in the U.S. as well. However, with a massive quantitative easing program now underway by the European Central Bank (ECB), we expect that flows in the U.S. market will continue. For comparison's sake, on March 31, 2015, the 10 year German Bund was yielding just 0.18%. French Sovereign debt was trading at a mere 0.48% on the same date. In fact, Barron's reports that one-third of all European sovereign debt has negative yield. The 10-year U.S. Treasury, on the other hand, looked positively succulent at 1.94%. The disparity in yields has driven and will likely continue to drive demand for Treasuries in our opinion. The U.S. economy still appears insulated from the stagnant growth in Europe, but the possibility of contagion remains present in domestic sentiment. While economic and fundamental concerns remain prevalent, it is the threat of armed conflict that causes outright fear. From Ukraine to the Middle East, the fear of armed conflict has been a real and constant threat. The fear is inherently unquantifiable and the market has no appropriate way to price it. The only way markets know how to react is a flight to safety which has driven Treasury yields lower.

Supply and Demand Imbalance

As highlighted before, the municipal market saw a supply and demand imbalance the first quarter of 2015. For much of 2014 mutual fund flows were consistently positive and that continued into the first quarter of 2015

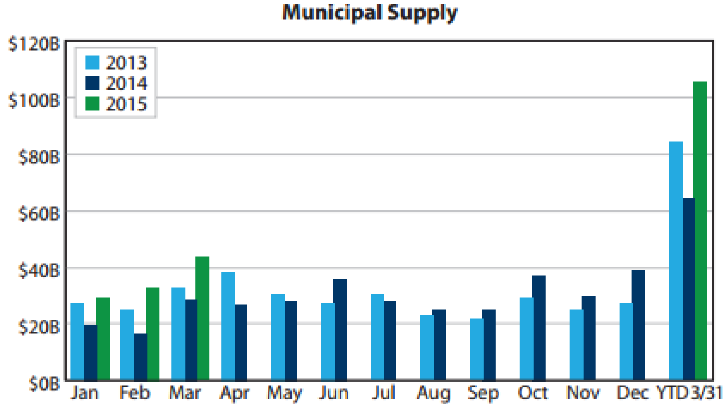
Municipal Fund Flows



Source: Barclays, Investment Company Institute (ICI) – January 2012 through March 2015.

Fund flows have stabilized the market over the last year with strong, consistent inflows. However, starting late in 2014 and even more so in the Q1 2015, supply has surged with municipal bond issuance up 63% YTD versus the same period in 2014.

Municipal Supply



Source: Barclays, SIFMA.org.

The surge in issuance is primarily attributable to three factors:

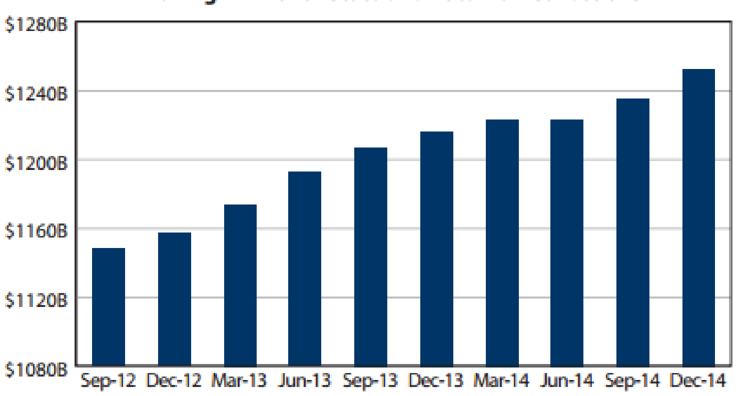
• Approximately $40 billion dollars in ballot box initiatives were approved by voters in November 2014, which has driven increased capital spending YTD;

• Abnormally large issuance in 2005 is now currently refundable and interest rates are near generational lows, making refinancing attractive; and

• Borrowers are attempting to secure capital ahead of Fed policy movements. As the municipal market attempted to absorb stronger supply, the resulting upward pressure on municipal yields caused municipals to underperform Treasuries.

Credit Quality Continues Upward Trend

Credit quality has continued to improve, which the market has recognized. While some of the improvement has already been priced into spreads, we believe that credit strength is stronger than the market realizes; hence our position that municipal credit is mispriced. State and local governments have consistently shown recovery over the last five years. After 16 straight months of improved state and local government collections, Q2 of 2014 showed a slight decrease in collections. The growth trend continued, however, with Q3 and Q4 collections showing significant growth (which is the last quarterly data available).



Source: www.census.gov.

Source: Barclays - 3/31/95 through 3/31/15.For illustrative purposes only. Past performance is no guarantee of future results.

The chart above shows credit spreads between AAA and BBB municipal bonds. Given a number of fundamental and technical factors, spreads widened dramatically in 2008 and have since tightened considerably. It wasn't until early 2014 that spreads started to truly move towards more normalized levels, and they have consistently moved in that direction since. At the end of March 2015, the spread between AAA and BBB municipal bonds was 131 bps, or just 10 bps below their 20-year average. For comparison's sake, at the beginning of 2014, the spread was 314 bps. So while spreads have compressed, we don't believe they are at unsustainably tight levels. We believe there is still potential for further compression in the 'BBB' space given healthy credit fundamentals in the municipal market—one reason we continue to overweight 'BBB' rated bonds in our actively managed portfolios.

A note unrelated to this section but pertinent to the market as a whole: we don't necessarily see this advantage across the entire municipal market. When outflows turn negative in rising rate environments, history has shown us that long-duration strategies see the heaviest outflows. In these situations, long-duration strategies, which are the most rate-sensitive, are often confronted with liquidity issues. We believe redemptions will drive long-dated strategies to sell in mass, which could, in-turn force spreads to widen, particularly in the lower part of the credit spectrum. Liquidity concerns and credit quality are inversely correlated: as investors descend the credit spectrum, liquidity issues increase. If we see relatively weaker demand at the lower end of the credit spectrum, we believe credit spreads in this segment of the market will likely increase.

Outlook for the Remainder of the Year

What should investors expect and what should they do to react through the remainder of 2015?

<u>U.S. Economy Will Signal Rate Increases</u>

We believe that the perceived weakness in the U.S. economy will moderate as we literally and figuratively thaw out. We believe a pattern very similar to 2014 is likely. While we don't again expect GDP at 4.6% and 5% in quarters two and three we think the weather-driven narrative is, again, apt. Once the U.S. economy signals what we believe to be its underlying strength, we expect the Fed to again consider raising rates, with a potential hike likely in the second half of 2015.

<u>International Influences Persist</u>

With QE now underway in the Eurozone, capital flows are likely to continue to move across the Atlantic to U.S. fixed-income markets, where nominal rates are much more attractive. In addition, global conflict in the Middle East, Eastern Europe and other parts of the world could result in a flight to quality into U.S. markets.

<u>Technical Factors in the Municipal Market Will Push Rates Higher</u>

When rates start to increase, mutual fund flows could temporarily turn negative, just as they have in previous rising rate environments. If supply remains robust against potentially weaker demand, we believe municipal yields will move higher.

<u>Municipal Credit Continues to Improve</u>

We expect that credit quality in the municipal market will continue to improve. State and local government revenues have consistently increased for five years and we believe the trend will continue in the remainder of 2015. Despite credit spreads consistently tightening during the economic recovery, the AAA to BBB municipal spread is just 10 bps below its 20-year average. We see the potential for further compression, specifically in the lower-investment grade portion of the curve. We also will continue to focus on essential service providers to capture the projected spread compression.

Using our outlook as a foundation for the remainder of the year, we still believe municipal bonds offer attractive returns in relation to other fixed income classes. We believe that continued improvement in municipal credit quality will lead to further spread tightening. We also think that there is a potential for fundamental factors to pressure rates to rise. In response, we believe investors should seek active management with size that allows for nimble responses to quickly changing markets. In addition, we believe that the intermediate portion of the yield curve offers specific advantages over long-duration, interest-rate sensitive strategies. While it is tempting to hold strategies like this that have performed so well in the past 15 months, it is important to realize just how much of that performance was simply because of interest rates falling. Likewise, it is imperative to realize that as rates increase, the exact opposite is true. Total return investors, in our opinion, are well-suited to take some chips off the table and move into a strategy designed to withstand rate increases, while maintaining current income..

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Case for International Growth over Value Remains Strong

May 2015

In our February commentary Identifying Global Growth Opportunities Through A Thematic Lens, we shared our constructive view on growth stocks. We continue to believe investors should favor growth over value, given fundamentals, valuations and secular opportunities.

FIGURE 1. GROWTH FUNDAMENTALS ARE CONSIDERABLY BETTER

International growth equities have generated higher revenue and earnings growth and delivered better capital efficiency, as reflected in a higher return on invested capital (ROIC) relative to value.

Source: Bloomberg. May 2015.

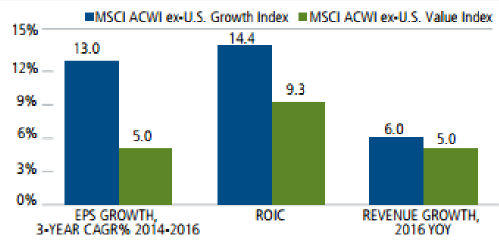


FIGURE 2. GROWTH IS INEXPENSIVE VS. VALUE

FIGURE 2A.

When growth is scarce, we believe the market should award a premium for growth. However, this is not the case in today's market environment as there is very low differentiation in high and low growth valuations. In our view, international markets are not adequately rewarding higher growth versus lower growth. The top and bottom growth companies by decile have almost the same P/E valuation, while the top versus bottom value companies by decile show major differentiation.

Source: BofA Merrill Lynch, using data from BofA Merrill Lynch research and FactSet. April 2015. Data represents European equities.

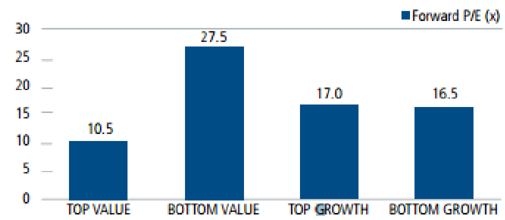


FIGURE 2B.

International growth trades at a higher P/E, but this is reflective of a significantly higher earnings growth profile. On a growth-adjusted basis (PEG ratio), the growth index's PEG ratio is half that of value.

Source: Bloomberg. May 2015.

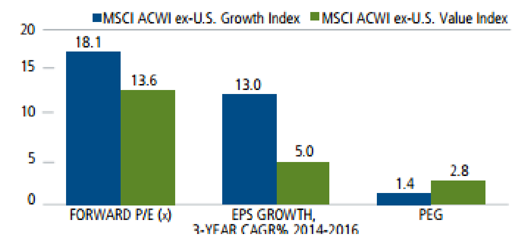


FIGURE 3. GROWTH COMPANIES ARE POSITIONED TO BENEFIT FROM SECULAR TAILWINDS

We believe growth equities offer much higher exposure to more dynamic parts of the global economy, including technology, industrials, health care and consumer sectors.

Source: S&P Capital IQ. April 2015. Value represented by the MSCI ACWI ex-U.S. Value Index. Growth is represented by the MSCI ACWI ex-U.S. Growth Index.

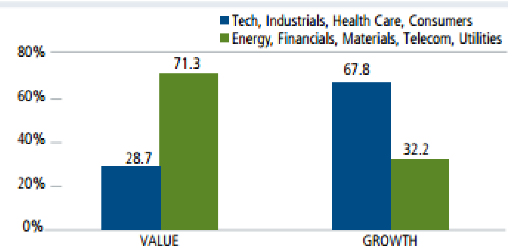
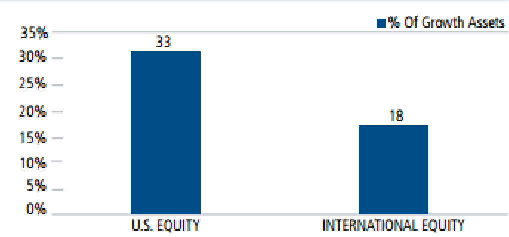


FIGURE 4. INTERNATIONAL GROWTH IS UNDERREPRESENTED

Only 18% of international stock assets are currently invested in growth. In an asset class that is mostly defined by core and value offerings, investors may be missing out on compelling growth opportunities driven by secular growth trends, including a burgeoning global middle class.

Source: Morningstar. April 2015. The percentages are based on Morningstar U.S. mutual fund category assets in the International Stock and U.S. Stock broad asset classes. In the U.S. stock asset class, the growth category in the graphic is represented by Growth Morningstar category (small, mid, and large cap combined). In the International Stock asset class, growth represents the combined assets of Foreign Large Growth and Foreign Small/Mid Growth categories. Morningstar defines growth companies as those that have high price ratios and higher growth rates for earnings, sales, book value and cash flow. Morningstar defines value companies as those that have low price ratios and slower growth rates in earnings, sales, book value and cash flow.



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Investing in China's Expanding Universe of Opportunity While Maintaining a Risk-Managed Approach

May 29, 2015

Authored by:
Nick Niziolek, CFA
Senior Vice President, Senior Co-Portfolio Manager, Head of International Research
Calamos Investments

Followers of our posts and commentaries know that we have long held a positive view on China, specifically as it relates to the growth of the country's middle class. In recent years, many investors have become increasingly focused on the decelerating growth and significant leverage in the Chinese economy. While not losing sight of these factors, we are also focusing on the transitions that are underway in China's economy—from investment to consumption and from public sector to private sector. These shifts have created powerful tailwinds for many consumer, information technology, and health care companies, both those domiciled in China as well as multinational corporations selling into China's growth story.

We have always monitored China's policy actions and reform initiatives through the lens of whether these activities support the medium-term goal of a more consumption-based economy with a greater contribution from the private sector. Overall, we believe China is making good progress in this regard, and we have remained more constructive on China than a number of other investment managers. We believe our stance has been affirmed by China's strong market performance over recent years, including within the investment technology and health care sectors we favor.

Since the middle of last year, we have expanded our view of investable opportunities in China. While we believe China remains committed to the medium-term goal of growing consumption and the private sector, the country is equally if not more focused on its longer-term goals of solidifying its position as the dominant power in Asia and establishing itself as equal to the U.S. on the global stage. China's push to have the renminbi to IMF's special drawing rights, its opening of local markets, its founding of the Asian Infrastructure Investment Bank, and the "One Road, One Belt" infrastructure program all support its bid for greater influence in Asia and globally, including the internationalization of the renminbi. As one measure of China's progress, we see China is converging ever closer with U.S., when measured by market cap to GDP (Figure 1).

Figure 1. U.S. versus China: Market Cap to GDP trend

Source: CLSA

As China pursues its longer-term goals, we see tailwinds for many more industries within the country. This has led us to increase our weighting to China, including through investments in several state-owned-enterprises (SOEs) and infrastructure-related companies that we may have found less compelling in the past.

Convertible Structures Afford Risk-Managed Exposure

Of course, we recognize that these companies are not without their own risks. They may be more influenced by policy and regulation changes; historically, many have been less focused on efficiencies than businesses in the private sector; and in some instances, they may also entail more balance-sheet risk than their private sector counterparts. However, we see significant opportunities, particularly for investors who are willing to do their homework. We believe some of the risks we previously saw in SOEs and investment related companies are mitigated by the course government policy is likely to take over the next six months.

For those of our strategies that have the flexibility to utilize convertible securities, we have additional tools for tapping into the expanding opportunities we see in China, consistent with a risk-managed posture. Within emerging markets, Chinese and Hong Kong companies have been active issuers of convertible securities. Convertible securities have been key in bolstering our overall exposure to China, including in SOEs and companies tied more closely to investment rather than consumption.

As interest rates have declined in China, the bond floors of our convertible positions have moved up, improving downside protection, while the increased volatility we have seen in the market recently increased the values of the embedded call options. The breadth of the convertible market has allowed us to participate in the strong rally we have seen within cyclical sectors, with our delta to the underlying equities increasing as the rally in China's equity market has progressed.

We typically pare convertible positions when their deltas become equity like, rolling into more balanced structures on an ongoing basis. This active management has permitted us to keep up with the equity markets during strong rallies, while providing better downside protection during recent pullbacks we've seen and expect to continue throughout the remainder of the year.

Click here for complete reading

Aberdeen Asia-Pacific Income Fund, Inc. (FAX)

June 2015

Over the last year the Australian dollar (AUD) has declined significantly, dipping below US$0.76 in mid-April, in response to relatively disappointing retail sales reports, and the worst trade deficit the nation has seen since February of 2008. With imports up 4% and exports down 6% in April versus the same period a year earlier, the seasonally adjusted deficit of $3.888 billion is the largest on record, slightly higher than the previous record of $3.881 billion set in February 2008.1

Since mid-May, the AUD has weakened against the U.S. dollar in a move that has been driven more by global developments than by idiosyncratic factors. One of the key supports for the U.S. dollar comes from the improving U.S. economic outlook and expectations that the Federal Reserve (Fed) will commence the tightening cycle in 2015. The global factors underlying currency moves are evidenced particularly by the U.S. dollar strength against those countries where central banks are expanding their balance sheets (Japan and Europe).

For some time, the Reserve Bank of Australia (RBA) expressed discomfort with the relatively high level of the Australian dollar. Even as the currency fell through the second half of 2014, the RBA revised downwards its suggested level at which the impact on the domestic economy would be more balanced, rather than a headwind. Despite falling commodity prices amid a moderation in Chinese economic growth, the AUD's resilience had perplexed the RBA. However, the central bank signaled that further weakness was warranted as it remained above its comfort zone.

The AUD's recent decline notwithstanding, the recent widening of the discount of Aberdeen Asia-Pacific Income Fund's (FAX) market price to its net asset value (NAV) has been attributable more to the downturn in global bond prices in response to rising yields globally, particularly in Europe and the U.S. The downturn in the AUD had a substantially greater impact on Fund performance between June and December 2014, as the market prices of FAX and the AUD fell roughly 13% and 14%, respectively. In contrast, the Australian bond market concurrently saw a gain of about 6%.

In light of the balance of risks being tilted toward a weaker AUD, we implemented an underweight strategy to the AUD in all of the funds which we currently manage. Granted, recent moves have been swift and the risks more evenly balanced; however, we believe the U.S. dollar tailwinds are likely to prevail for a longer period as monetary policy settings between the two nations diverge. Consequently, we are maintaining the underweight strategy to the AUD.

Fund Updates

- Aberdeen Asia-Pacific Income Fund, Inc. Announces Payment Of Monthly Distribution – May 29
- Certain BlackRock Closed-End Funds Announce Estimated Sources of Distributions – May 29
- Blackstone / GSO Closed-End Funds Declare Monthly Distributions – May 22
- Calamos Closed-End Funds (NASDAQ: CHI, CHY, CSQ, CGO, CHW and CCD) Announce Monthly Distributions for June 2015 – May 29
- Cushing® Royalty & Income Fund Announces Monthly Distribution – June 1
- Certain Deutsche Closed-End Funds Declare Monthly Distributions – June 10
- Distribution Dates and Amounts Announced for Eaton Vance Closed-End Funds – June 1
- Federated Investors' Closed-End Municipal Funds Declare Monthly Dividends – June 10
- First Trust Advisors L.P. Announces Distributions for Exchange-Traded Funds – May 20
- First Trust Enhanced Equity Income Fund Declares Quarterly Distribution of $0.235 Per Share – June 10
- Fitch Rates Preferred Shares Issued by Two Deutsche Closed-End Funds – June 1
- Guggenheim Investments Exchange-Traded Funds Declare Monthly Distributions – May 29
- Guggenheim Investments Announces June 2015 Closed-End Fund Distributions – June 1
- Guggenheim Strategic Opportunities Fund (GOF) to Issue Monthly Dividend of $0.18 – June 6
- Horizons Announces May 2015 Distributions for its Covered Call ETFs – May 21
- IndexIQ Announces May 2015 Performance of Its IQ Hedge Family of Investable Benchmark Hedge Fund Replication Indexes – June 3
- Invesco Closed-End Funds Declare Dividends – June 1
- John Hancock Closed-End Funds Declare Quarterly Distributions – June 1
- Legg Mason Partners Fund Advisor, LLC Announces Distributions for the Months of June, July, August and September 2015 – June 4
- MFS Releases Closed-End Fund Income Distribution Sources for Certain Funds – May 29
- Neuberger Berman Closed-End Intermediate Municipal Funds Announce Monthly Distributions – June 15
- The New Ireland Fund, Inc. Announces Record Date and Payment Date for Quarterly Distribution – June 3
- Nuveen Closed-End Funds Declare Distributions – June 1
- Pioneer Investments Declares Monthly Distributions for Closed-End Funds – June 2
- Putnam Announces Distribution Rates for Closed-End Funds – June 10
- Wells Fargo Advantage Closed-End Funds Declare Monthly and Quarterly Dividends – May 20

Debunking the Myths of Investing in Israel

Wednesday, May 6, 2015 | 11:00 AM ET

William Scholes:
Good afternoon and thank you Nicholas for that introduction and many thank you all for joining. So if we pull up to slide two I think the title of the webcast today is pretty clear that what I'd like to do is spend some time addressing what I fear are accepted truths about investing in Israel and discuss why I believe them to be mistaken. So in part that will be about the structure of the Israeli market and what's it's performance historically can lead us to conclude about it. And in part it will be addressing the breath of investable companies in Israel beyond just the perception of it being tech centric. So I will aim to move from that discussion onto some company illustrations that hopefully show what we Aberdeen like about Israel as well as how our bottom up investment process works. This will then be followed as by mentioned by a brief discussion of, but performance and question in our profession.

So on to the main body of the presentation and if you flip to slide four titled risks of an emerging market of asset growth, I think Israel was our greatest of emerging market status in May 2010 and that upgrade was met with mixed reviews. Certainly on many metrics relating to spans of living the reclassification made sense. So my aim here is not so much to address whether Israel is more emerging or developed as to point out the country is still growing faster than developed economies over the past decade and according to the IMF it's expected to continue to do so. Part of that comes down to growing population in terms of both age and labor participation which in turn sees consumption and that's the primary path of Israeli GDP growth and you can see the trends in growing population in the right hand charts. While over the last 10 years unemployment is also performed dramatically real wages despite that growing 1.9 percent which is also positive to consumption trends, so this perception of Israel has the vulnerabilities of emerging market but without the growth it is already seeming false from the growth standpoint.

Turning on to the following side, slide five and taking that theme a little further, it's interesting to see how the Israeli market the Tel Aviv 100 has reacted over the past 5 years. So bear in mind this is in the context of the declassification from emerging markets, but also global markets being increasingly moved by developed market's monetary policy. So large flows of capital in another risk assets, the purple line on the left hand chart shows how correlation with the emerging market index has fallen significantly since Israel's removal from EM. And the fall has been particularly steep since capital flows generated by quantitative easing have started to move emerging markets more violently. So the takeaway from the left hand chart is that the Israeli market does not present some of the market sensitivity or volatility of emerging markets. By contrast the reporting is relative diversification; the right hand chart really seems to show the same thing with the Israeli currency moving in a controlled band against the dollar.

As it in contrast to emerging currency it's vulnerability has been highlighted through sharp appreciation particularly for current account deficit countries over the last 18 to 24 months. In actual fact the bank of Israel spent much of 2014 selling shekels to buy dollars in order to weaken the currency and they brought another 500 million in foreign assets over the last week as well as raising the headroom on target reserve levels from 90 Us, $90 billion US to a $110 billion, so certainly FX reserves are not as concerned. Hopefully the point of the last two slides will be made the country had great superior developed markets without the vulnerabilities of some emerging markets.

Featured Presenters

William Scholes
Fund Manager, Global Emerging Markets Team
Aberdeen Asset Management

Aberdeen

Moving on to the following slide then I am really trying to show him saying stability but from a geopolitical angle, Israel as you can see shook off a 8 or a nine crisis in relatively short order, if you look at the TA 100 index. But it's the more localized conflict and its impact on investor dates that I am trying to show here. The orange bar to the base underlined how a combination of Tourist and Diaspora arrivals, which help support the economy remain steady despite geopolitical events and military activity otherwise reckoned to cause economic damage. This is not to play down the risks that localized conflict poses, and it's no guarantee of course of future stability.

But it catches the kind of and vindicates the kind of sanguine pragmatism we get from management teams of our companies during those periods. If we move on then to the charts titled simply a pass-through of US monetary policy it's a relatively more complex slide but the premise is again simple, if you take the US and Israeli swap curves as indicated with future interest rates you can conclude the market does not expect the Bank of Israel to be forced to raise interest rates alongside the US. As we've heard it already FX would give the banks substantial firepower to defend the currency if need be. And so the bank of Israel best to maintain support of interest rate policy for some time, after a potential US rate hike. The same independent authority is shown in the right hand chart, notice how the bank of Israel successfully raised interest rates coming out of the crisis to manage inflation and price stability and has since eased. In fact the latest implications for the bank of Israel are that interest rates could be lowered rather than hiked in contrast to the US, partially in response to inflation data which is in fact illustrated on the next slide.

Slide 8, so the chart here shows inflation which is termed negative recently mainly driven by food. And there are two main points I'd like to make here, first it's deflation is being led by stooge apparel and energy, but the Bank of Israel states these are supply side effects and therefore not a cause for concern. So many if we can dwell into that a bit more falling energy prices are of course the tax breaks and the consumer and therefore how can we be as a positive further to complicate the economic feasibility of developing offshore gas reserves. The food prices relate back to the social justice protests, also known as Cottage Cheese riots that began over the high costs of living in May 2011, because inflation then makes life tough for all retailers but does affordability for the Israeli consumer. And I believe that the Israeli government are not anti-business but rather it would be taking steps to promote competition and raise standards of living for the consumer. And strengthening the shekel against the broad basket of currencies is also cheapened imports.

So although that backdrop does continue to suggest the tough outlook for retailers, we don't believe it will be wholly negative over the long term. The second point I'd like to make takes the other side of that argument so regulation has been heavy on Israeli corporates in recent years. For many that adjustment period has been painful, requiring layoffs reformatting the selling space restrictions on discounting and the greater burden of disclosures. However we've been, we've been encouraged by the performance of our holdings and believe the better part of that adjustment phase is set through, so any easing of the regulatory environment not to mention returning inflation will be very positive for domestic focus corporate from here on end.

So we kind of over one slide, I've so far mentioned the domestic economy a number of times rather than focus on the country's reputation in the place of technological innovation and expertise. There's no doubt that the country excels in IT and that sector is in fact our largest sector (inaudible) for the Aberdeen Israel fund. Israel spends a significant 4.2 percent of GDP on R&D while the average of OECD defined developed countries comes to 2.4 percent. So in no ways I want to play down that part of the economy, however we do believe that there is more to the Israeli economy than just tech and software, although we have significant investments in the best of them. Exposure to domestic focus company forms part of the diversified portfolio and comes with benefit to the ground level one research we do as part of our due diligence. Moreover turning to slide 10 over 10 time periods the TA100 index is kept placed with the NASDAQ despite the American counterpart attracting the lion share of new listings especially in the tech space.

So with that in mind I will now try and illustrate some of the recent stock examples of companies we find in the domestic space for those who might be less familiar with them and more familiar with the, with the tech names. With first of those as (inaudible) Israeli groups, so this is a family owned and run property developer and operator it has a diversified portfolio of high quality properties across Israel and the company benefitted from the formalization of trade. So the rising level of more based shopping not to mention the Tel Aviv development or the commercial center. The small table on the bottom right shows you how occupancy has remained very high, even though the periods have conflict and unrest when some retailers were expected to close up shop, so this is the benefit of prime retail space in the city center. Also encouraging for us and fundamental to our process is a level of debt in the balance sheet. If you look at the orange line in the top right chart you see that with net debt is around 25 percent of the company's equity as really the best capitalized in the sector. So as you can see from the bar showing investment real estate just how (inaudible) expensive reinvestment where they find quality. So and an example of our process seeking our company's position for the long term the following slide shows you it's around which is a company taking you and some cars to help locate and recover them when they're stolen. And this to me is a great example of where Israeli innovation and technology still comes as a highly transparent business model and high cash generation.

The growth driver of recent years for the company has been the operation in Brazil where rates of car crime outstrip most countries globally. And despite significant subscriber growth which you can see in the right hand chart it can, the penetration of that market is still low. The point I think is important to make is that you look at the central cycle we think this is highly sustainable growth because cost savings for insurers and added value for car manufacturers contribute to that cycle, while it's around not just from the one time hardware inflation but much more from the recurring service revenues that come from the software. This is a stop which is a good example of long term holding which is grown from a small way to a very significant one (inaudible) as we built increasing (inaudible) over the business. So another example of a company owns and operated by a single family the (inaudible) who we chat to quite regularly but as yet poorly covered by third party research.

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Understanding ETF Liquidity

Tuesday, May 19, 2015 | 11:00 AM ET

Matt Horne:
Thank you and good morning, everyone. My name is Matt Horne and I will be hosting this webinar. I am part of the Sector Investment Strategy team at Fidelity SelectCo, which is a division of Fidelity Asset Management that's focused on sector and ETF investing. In my role, I work with both retail and institutional clients to help them better understand our products and how to use them in their portfolios.

The goal of this webinar is for you to better understand trading in ETFs and ETF liquidity. I'm joined today on this webinar by two of my colleagues, Russ Latham and Matt Kennedy.

Russ is a director at Fidelity SelectCo within the ETF Services Group where he focuses on expanding Fidelity's footprint across the ETF trading ecosystem. He manages relationships with authorized participants, market-makers and trading desks and he spends a lot of time educating clients on ETF liquidity and trading strategies. Before joining Fidelity in 2014, Russ spent eight years at BlackRock's iShares unit, most recently with the client execution services desk covering institutions. At BlackRock, he also held roles in a variety of functions, including capital markets, product development and research.

Matt Kennedy is a vice president and head of Global Execution Services at Fidelity Capital Markets. Fidelity Capital Markets is a customer-focused institutional trading firm under the Fidelity umbrella. The firm's goal is to integrate institutional, intermediary and retail business in trading platforms while maximizing the synergies across all of them. In this role, Matt is responsible for managing the block equity, block options, international equity and structured products trading desks. Prior to his current position, Matt was responsible for managing the institutional equity trading desk and previously he also established and managed the electronics, sales and the electronic trading desks at Capital Markets.

I'm now going to turn it over to Russ who's going to discuss ETF trading. Once Russ finishes his slides, we're going to open it up for questions halfway through on what he covered. And then I'll turn it over to Matt Kennedy who will cover his material. Russ, it's all yours.

Russell Latham:
Hi, good morning, everyone, and thank you for joining us today. This is Russ Latham and we have a great session lined up. I think it's one that offers a couple different dimensions of the ETF trading discussion.

I, who sit on the issuer side, can kind of focus on ETF trading from that perspective. But we have my colleague Matt Kennedy here, as well, who can really focus on the implementation and trading side. Because Fidelity's on both sides of the equation as a business, we hope that this will be an interesting approach to the topic.

So, with that said, the intent of this webinar is really to cover a few of the following topics. First, we want to provide greater knowledge around how ETF liquidity is accessed in the market. Secondly, we want to share ETF trading best practices and to better equip you with trading know-how so you can use that knowledge to your advantage when you're trading ETFs. Thirdly, we want to educate you on the various trading strategies available and the different scenarios to achieve best execution. And finally, you know, with the -- with Fidelity Capital Markets joining this call, we want to at

Featured Presenter

Matthew Kennedy
Vice President, Global Execution Services
Fidelity Capital Markets

Russell Latham
Director, ETF Markets and Analytics
Fidelity Investments

Fidelity INVESTMENTS

least give some context or an overview as to how one trade desk is set up and how they interface with both the client, you, as well as the Street and source ETF liquidity. We hope that this will be helpful context as you think about managing your own trading relationships and better understanding order flow and how it can apply to your own trading experiences.

So, as Matt mentioned, my name is Russ Latham and I am on the ETF Services Group here at Fidelity. I focus on trading liquidity in our products and I manage relationships with A.P.s and market-makers and various ETF trading desks. And I also spend a lot of time on our advisor base discussing trading in our products.

Fidelity has 15 ETFs in the market. We came into the market in October of 2013 with 10 sector products. We added an 11th sector product just recently in February and we also offer three actively managed fixed income products.

And one thing that's become really apparent as I've had more and more conversations with advisors is that while there's increasing familiarity with the basic structure of ETFs and that there's, in general, more awareness around how the nature of the creation/redemption process is key to an ETF's liqiuidity profile, it's less clear among advisors is how an advisor's actually accessing that liquidity and basically figuring out where they're trading, whether it's in the displayed market, so the secondary market, versus the over-the-counter market versus accessing liquidity in the primary market. And so, really, some of the questions that we want to answer today is how is ETF liquidity accessed and how is the market set up to provide you liquidity when you need it.

And perhaps more importantly, I also think that there's a lot of room to help educate advisors around what needs to be considered as you go to implement an ETF trade and what factors should you consider when determining your choice of trading strategy. Trading strategy is something that comes up more and more frequently in my conversations, and so, hopefully we can provide you with a few hints as to how to think about devising a right trading strategy when it comes to trading your ETF positions.

And then finally, and one last comment before I dive into slides here, I also find that advisors can really benefit from just having a discussion around the players involved and which dot they need to connect. So, there really is a lot of value in connecting with the trading desks and building trading relationships as you think about your business and trading an ETF. Because connecting those dots is ultimately going to help you really feel comfortable with the implementation, as well as help you get best execution.

So, with that as background, I'm going to refer to slide two as kind of a way to kick things off. And really, what we wanted to do is just kind of give a state of the industry as it relates to trading volume. And so, if you look on slide two, this is a breakdown of ETF trading at sort of the industry perspective as it relates to different categories by volume.

And so, just to give a quick background on the research here, what we did is we basically took all ETF products that existed in 2013 and we ran traded volumes for all of 2014. We took out any ETF closures in this data set. But basically, what we wanted to do was give a snapshot of how does ETF trading look like at the industry level. There's over 1,600 products out there in the market, almost 2 trillion in assets. And what you can see is in the chart on slide two, that if you cluster ETFs by traded volume, you get a huge skew of ETFs that trade less than $25 million notional per day; in fact, you get about 1,100 ETFs out of 1,600 ETFs that are trading, on average in 2014, less than $25 million a day.

And so, I think this leads us to kind of consider a few different takeaways, and really kind of, you know, try to deduce what the data's telling us here. Just first, that, you know, if you were to judge an ETF by kind of what is trading on-screen, which is what this snapshot shows, is that you may see that a lot of ETFs may appear to be illiquid on the tape, right? And so, this kind of goes back to the nature of the structure with ETFs, which is that given the creation/redemption mechanism, there is liquidity available; there's liquidity available for you to access in those primary markets but you may not see it in the secondary markets. So, you want to really kind of take this and understand it because a lot of these products that you may be running into appear to be illiquid on a secondary market.

Second point here is that a lot of advisors judge secondary market volumes and sort of make decisions around which products they will use based on the secondary market volumes. And so, I think that there is a situation here where a lot of your opportunity set as an advisor may be whittled out of your useable universe because of the fact that you may be screening your product usage by certain trading volumes and you're basically getting rid of maybe that bottom section of ETFs that would fit your investment objectives ultimately. But because you're screening by some amount of liquidity that they trade, you may not be able to actually use those in your practice.

And finally, I don't want to ignore the products that are sort of in the upper echelons of traded liquidity, so anything that's a hundred or 500 or 500 million or a billion plus in liquidity is just for most clients going to -- there's sufficient liquidity there. So, I think what this tells us is that, you know, there's this huge set of products that perhaps are illiquid on a screen but, you know, you definitely want to have this awareness that the industry's set up that way because this sort of really leads into the discussion around what's the right trading strategy. And the right trading strategy for this products that are trading less than $5 million a day or $25 million a day may have a different trading strategy to get you best execution versus if you're trading one of the largest and most liquid products out there in the market. And so, it's really a question of how do you bring that liquidity to you and devise a strategy that you can access it in the most beneficial way to you.

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Quality Factor Investing Roundtable

Tuesday, June 9, 2015 | 11:00 AM ET

Christopher Huemmer:
Thank you. Good morning everyone and thank you for joining us today, for what should be a great conversation with two individuals I consider thought leaders in asset management that bring unique and innovative perspectives to the space.

My name is Christopher Huemmer, and I serve as senior investment strategist for FlexShares ETFs. FlexShares managed by Northern Trust are investor-centric, goal-oriented ETFs that are designed to simplify and improve the investment decision-making process for strategic and long term investors.

We achieve this by leveraging the collaborative client relationships such as the two gentlemen we have on the phone today, deep investment expertise and rich fiduciary heritage that is Northern Trust.

Today your clients are more sophisticated with specific investment goals that surpass that of just beating benchmarks. They have real world investment needs - needs like retirement, putting their kids or grandkids through college and giving back to their communities.

Our strategies at FlexShares are designed to solve for specific needs or outcomes. And whether you are an institution or an individual investor there are four primary needs that you must solve for. As you will see here we have illustrated that on slide three of the deck that you have.

You need to grow your assets, maintain liquidity, generate income and of course manage risk. Our current line-up of 17 strategies is designed precisely in order to solve for one or more of these core conditions.

Our featured speakers on today's Webinar are John O'Connor, president and CIO of 3D Asset Management, and Sam Turner, director of U.S. Equity at RiverFront Investment Group. Gentlemen, thanks for joining us here today.

John, let's start with you. Why don't we open up with a quick overview of 3D Asset Management, your firm's target audience and your process?

John O'Connor:
Sure. Thank you very much and I'm very glad to be here; 3D has been around since 2006. We're primarily an ETF strategist. I've been in the business since the early '80s and have seen many, many market cycles since then. And some of the products that are available today are, from my point of view, a God-send given the volatility that we've seen historically in the markets and what we're seeing today.

We're a global asset allocation shop. We started out honestly as a DFA shop, quickly converting over to ETFs for several reasons, not the least of which was the broad asset class availability, but with the kind of a Fama-French grounding we are very factors-based.

In 2006-2007 we saw some firms start to come out with factor-based ETFs and that kind of helped us change direction at that point and we've kind of been going straight ever since.

Featured Presenter

Christopher Huemmer
Senior Investment Strategist
FlexShares

John O'Connor
President & CIO
3D Asset Management

Sam Turner
Director of US Equities
Riverfront Investment Group

FlexShares®

If you click on next slide you will see our typical advisor profile. We've got basically three areas of practice. Wealth accumulation, we operate a turn-key asset management program and are available on several platforms with risk-based portfolios but globally allocated.

We're also fairly active in the retirement plans market. We've got two series of collective trusts target date series and a risk-based series and we're available on a few of the larger unitization platforms and about third of our business today is 401k and other types of retirement plans.

The biggest part - the biggest single segment I would say though is retirement income planning. Advisors have kind of gravitated to us over the years and we've built out over the last couple of years a very robust system from training right through execution and tracking and planning, but the reason advisors liked our portfolios for retirement income planning is they are all targeted at specific rates of return.

We are a globally asset located ranging from 100 percent equity to 100 percent fixed income, but in the intermediate the 20/40/60/80 percent equity. We're running more or less like DB plans. We're targeting a rate of return and shooting for that over the long term.

We do find some advisors using us as a core holding, for instance, our 100 percent global equity, but primarily people are using us with (target) rate of return strategies. If you click the next slide - as I mentioned before, we started out as a DFA shop. We are kind of Fama-French devotees.

We do believe that markets are efficient. We believe that virtually all the information that's available or that's going to influence stocks over the long run will be born out in the price movements of those stocks.

We try and invest in asset classes rather than individual equities. I'm not suggesting that the Peter Lynches of the world don't exist - I'm just suggesting that there's really nobody out there that's smart enough to identify them ahead of time.

So we like to invest in asset classes and then manage the portfolios to try and pair asset classes that are not highly correlated and manage risk in that way. We do invest for the long term. If client is looking for quick in and out, we're not the investment manager for them, which is why we find a lot of business in retirement plans and retirement income plans.

We're not a static - said it and forget it (chop), though. While we do -- are always 100 percent invested we'll tilt the portfolio from time to time based on large macroeconomic influencers like interest rates, current devaluations, equity market valuations relative to one another around the globe and -- but we'll always be 100 percent invested.

So we leave it up to the advisor as to measure the client's overall risk tolerance so our global 60 will always be 60 percent equity, but of the equity we may be half-US which is what we are now. Coming out of the recession, we were about 70 percent domestic equities, figuring that the U.S. has led the world out of recession, but late last year we tilted back to a more MSCI ACWI basis and that's the way we are sitting right at the moment.

That's kind of a short overview on 3D. I will give it back to you, Chris, and introduce Sam.

Christopher Huemmer:
Thanks, John. Sam, thank you for joining us as well. So (what) we heard from John, can you give us an overview of RiverFront so we can understand how you guys invest and why.

Sam Turner:
Yeah, sure, exactly. Thank you guys for having us and thank you for all the people that have dialed in for their time. And we'll certainly try to make it as productive as possible. The RiverFront Investment Group, we're also a little similar to 3D I suppose in that we are the, I should say, global tactical ETF strategist in Richmond (got) 5.25 billion in assets and most of us really came out of Wachovia Securities.

In 2008 my team specifically (runs) the domestic equity portion of the pie. RiverFront as a whole, our mission statement really tells -- tries to tell our primary goal as an organization and that is really one sentence and it's to lift the burdens of the market off the shoulders of our advisor partners and their clients.

So again, we are lifting the burdens of the market off the shoulders of our clients. And if you think about how hard this business is, not just for us or the clients, you think about that and Magellan Fund curse where the average client doesn't experience the consistent double-digit returns of the '80s and the '90s (as they are attempting to sell the lows) chasing the highs on the PM side (and our world and John's world) - we're really no different.

Our emotions can get in there too, so really this is – we would emotional investing is really the largest risk for our clients and we really consider ourselves probably emotional managers as much as we are money managers. So we need rules to -- we really try to apply a systematic approach to our strategic asset allocation but also sector rotation and stock selection. Those last two really are really where I get involved.

In the U.S. we do use a few stocks and we don't use a lot. Like John, we came from a world, very traditional bottom up portfolio manager that would fill their pie with 50 stocks in a (core-concentrated) stock model. In the end what we've gravitated to over the years, probably starting maybe 10 years ago was the real heavier kind of concentration of leveraging the power of ETFs.

So from the tactical standpoint, as John and the team said, the facts change; we change. And we got to do the same thing, so being a tactical manager of fixed income, really I guess where the antithesis of a target date fund where fixed income isn't always low risk; conversely Europe investing international equities isn't always the highest risk.

Our CIO really runs our strategic asset allocation model which is effectively where is the value at the asset class level and then once we know where the value is at the asset class level then that really becomes our internal benchmark and then we can tilt around it tactically when we see opportunity.

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Upcoming 2015 Webinars

SEP. 9

September 9 – Topic: TBD
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FIFTH STREET

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