Capital Link's
CEF & ETF Monthly Newsletter

May 2015
Volume 3 | Issue 4

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The Month in Closed-End Funds: April 2015

PERFORMANCE

Despite a disappointing nonfarm payrolls report released on Good Friday, investors sent stocks higher at the beginning April. The Dow Jones Industrial Average rose above the 18,000 mark on Friday, April 10, for the first time in nearly three weeks. News of restructuring and stock buybacks by GE helped set the stage for a rally in equities. Nonetheless, investors were pushed toward foreign markets as a result of high U.S. stock valuations, the continued strengthening dollar, and on Federal Reserve Bank of Richmond President Jeffery Lacker's reiterating his case for a June rate hike. European stocks posted for April their strongest weekly gains in two months, with the German DAX 30 Index and Japan's Nikkei 225 index approaching record highs. However, toward mid-month recurring fears of a Greek default and China's new stock market regulations set investors back on their heels, sending them to safe-haven plays. China's regulators tightened rules on margin lending, leading some investors to book recent profits. But the resilient U.S. indices were once again catapulted to new highs toward the end of the month as a few technology and consumer discretionary firms reported better-than expected Q1 2015 earnings; the NASDAQ posted its strongest weekly gain since October 2014 on Friday, April 24. However, the markets finished the month with a whimper after the Fed left the door open for rate hikes in June and durable goods orders disappointed. Nonetheless, for the second month in three equity CEFs posted a NAV-based return (+2.07% on average) and market-based return (+2.20%) in the black. Meanwhile, fixed income CEFs just managed to stay in positive territory, returning 0.06% on a NAV basis, while posting a more respectable plus-side return of 0.89% on a market basis.

Fortunately announcing while the markets were closed for Good Friday, the Labor Department reported the U.S. economy had added a much lower-than-expected 126,000 jobs for March (consensus estimates had forecasted 243,000). The weaker jobs report hinted that a June rate hike would be less likely; however, it highlighted a possible weakening in the U.S. economy for Q1, which initially sent the futures market into negative territory. But, strong earnings from the likes of Microsoft and Starbucks during the month and Google's announcement of its creating a wireless cellular network partnership with T-Mobile and Sprint kept investors engaged. While the headline numbers for March durable goods orders jumped a seasonally adjusted 4%, the key measure for business investment—core orders—fell for a seventh consecutive month, causing some concern to investors. In the last trading days of the month the first estimate for Q1's GDP showed real GDP growth was just 0.2% at an annual rate, missing the 1.0% consensus estimate and casting a pall over the market. Unusually bad weather, a rising dollar, and declines in oil prices (which had led to declines in U.S. drilling activities) were cited as underlying contributing factors to the disappointing but somewhat-expected GDP numbers. Regardless, the Dow, the NASDAQ, and the S&P 500 managed to stay in the black for the month, returning 0.36%, 0.83%, and 0.85%, respectively. March's big winner, the DAX, lost 4.28% for April.

The Month in Closed-End Funds: April 2015

- April was an up month for equity and fixed income closed-end funds (CEFs). Equity CEFs posted their second month of positive returns in three, gaining on average 2.07% on a net-asset-value (NAV) basis. Meanwhile, for the second consecutive month their fixed income counterparts just managed to post a plus-side return on average, gaining 0.06%.
- For April only 12% of all CEFs traded at a premium to their NAV, with 10% of equity funds and 13% of fixed income funds trading in premium territory. Lipper's World Equity CEFs macro-classification witnessed the only widening of discounts for the month—29 basis points (bps) to 11.32%.
- In an about-face from March all of Lipper's municipal bond CEF classifications posted returns in the red, with General & Insured Municipal Debt CEFs (Unleveraged) (-0.41%) mitigating losses better than the other classifications in the muni group.
- World equity CEFs (+3.56%) outpaced their domestic equity CEFs (+1.83%) and mixed-asset CEFs (+0.50%) brethren.
- Natural Resources CEFs (+6.05%) posted the strongest return in the equity universe for the month, while Real Estate CEFs (-1.84%) was at the bottom.

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THOMSON REUTERS

Despite calls by some Federal Open Market Committee members to raise interest rates by June, some experts believe the slowdown in the U.S. economy might delay a prospective hike until fall. However, some investors must believe the slowdown is only temporary because for the month Treasury yields rose at all maturities above one year, with the ten-year yield rising 11 bps to 2.05% by month-end.

For April the U.S. Dollar Index (DXY) suffered is first monthly decline since July 2014. For April the dollar lost against the euro (-3.83%), the pound (-3.17%), and the yen (-0.08%). Commodities prices were mixed, with near-month gold prices declining 0.06% to close the month at $1,182.40/ounce, while front-month crude oil prices rose a whopping 25.27% to close the month at $59.63/barrel.

For the month 55% of all CEFs posted NAV-basis returns in the black, with 74% of equity CEFs and only 41% of fixed income CEFs chalking up returns in the plus column. Concerns over the possibility of the Fed raising interest rates in June weighed on interest rate sensitive securities, sending Lipper's mixed-asset CEFs macro-group (+0.50%) to the bottom of the equity CEFs universe for the month, while central bank intervention and buying opportunities favored the world equity CEFs group (+3.56%), propelling it to the top of the charts. Domestic equity CEFs (+1.83%) was sandwiched between the other two broad-based groups for April.

Benefitting from the sharp rise in oil prices, Lipper's Natural Resources CEFs classification (+6.05%, one of March's laggards) led the equity universe and was followed closely by Pacific ex-Japan CEFs (+5.71%) and Energy MLP CEFs (+5.70%, March's cellar dweller). With the beating that interest rate-sensitive and growth oriented issues took at month-end, it wasn't surprising to see Real Estate CEFs (-1.84%) and Growth CEFs (-1.43%) suffering the only losses in the equity universe for April. For the remaining equity classifications returns ranged from 0.24% (Income & Preferred CEFs) to 5.28% (Emerging Markets CEFs). Despite Chinese regulators tightening margin lending, the country's two stock exchanges said they would make it easier to bet that stock prices will fall in an effort to ease their skyrocketing market.

Four of the five top-performing individual equity CEFs were housed in Lipper's Emerging Markets CEFs classification. However, at the top of the group was Asia Pacific Fund, Inc. (NYSE: APB, warehoused in Lipper's Pacific ex-Japan CEFs classification), returning 14.38% on a NAV basis and traded at a 12.58% discount on April 30. Following APB were China Fund, Inc. (NYSE: CHN), posting a 14.27% return and traded at a 12.88% discount at month-end; JPMorgan China Region Fund, Inc. (NYSE: JFC), gaining

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	74	43	56	10	90
Bond Funds	41	77	19	13	87
ALL CEFs	**55**	**63**	**34**	**12**	**88**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	APRIL	YTD	3-MONTH	CALENDAR-2014
Equity Funds	2.07	3.47	4.37	6.65
Bond Funds	0.06	1.87	0.29	11.56
ALL CEFs	**0.92**	**2.49**	**1.96**	**9.58**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	APRIL 2015	CALENDAR-2014
ALL CEFs	**26**	**23**

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

3 MONTHS THROUGH 3/31/2015	290
COMPARABLE YEAR-EARLIER 3 MONTHS	377
CALENDAR 2014 AVERAGE	302

Source: Lipper, a Thomson Reuters company

13.97% on a NAV basis and traded at a 14.03% discount on April 30; Templeton Dragon Fund, Inc. (NYSE: TDF), rising 12.87% on a NAV basis and traded at a 13.60% discount at month-end; and Templeton Russia & East European Fund, Inc. (NYSE: TRF), posting a 12.41% NAV-based return and traded at a 7.74% discount on April 30.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 6.74% to positive 14.38%—was narrower than March's spread and more positively skewed. The 20 top-performing equity CEFs posted returns at or above 7.78%, while the 20 lagging equity CEFs were below minus 1.90%.

Engex Inc. (OTC: EXGI), housed in Lipper's Growth CEFs classification, shed 6.74% and sat at the bottom of the equity CEFs universe for the month. (EXGI did not report a market price at month-end.) After a huge run-up in 2014, investors in India securities took a little off the table in 2015, pressuring a subset of Lipper's Emerging Markets CEFs classification. Morgan Stanley India Investment Fund, Inc. (NYSE: IIF) posted the next poorest return in the equity universe, declining 6.54% and traded at a 12.69% discount at month-end. For April only 66 equity CEFs experienced NAV-based returns in the red.

The FOMC statement released on April 29 suggested the Fed is willing to remain patient for the near-term with regard to interest-rate changes in order to evaluate the impact the winter months and a rising dollar may have had on economic growth. But, it did indicate that households' real income had risen strongly. Not without reason, some investors still believe the Fed could raise interest rates as early as June. These offsetting views led Treasury yields to rise at the long end of the curve, while at the shortest end of the curve the one-month rate declined 5 bps to 0.00%. The Treasury curve rose at all maturities greater than one year. The ten-year yield rose 11 bps to 2.05% at month-end. In contrast to March when municipal bond CEFs (-0.89% for April) was the only Lipper fixed income macro-classification with all of its classifications experiencing returns in the black, none of the classifications experienced plus-side returns for April. Rising to the top of the charts for the month world income CEFs (+2.60%) posted the strongest return, followed at a distance by domestic taxable bond CEFs (+0.93%).

At the top of the fixed income classification charts were Emerging Markets Debt CEFs (+3.69%) and Global Income CEFs (+1.81%), followed by High Yield CEFs (Leveraged) (+1.50%) and High Yield CEFs (+1.14%). With some investors reaching for yield and rates rising at the long end of the curve, Loan Participation CEFs (+1.04%) benefitted during the month as well. At the bottom of the pile Corporate Debt BBB-Rated CEFs (-0.20%) suffered the only negative return in the domestic fixed income funds macro-group (+0.67%).

On the muni side General & Insured Municipal Debt CEFs (Unleveraged) (-0.41%) mitigated losses better than its cohorts, while New Jersey Municipal Debt CEFs (-1.29%) suffered the worst loss of the group. National municipal debt CEFs (-0.85%) mitigated losses better than their single-state municipal debt CEF counterparts (-0.94%).

Four of the five top-performing individual CEFs in the fixed income universe were housed in Lipper's Emerging Markets Debt CEFs classification. At the top of the group was Stone Harbor Emerging Markets Income Fund (NYSE: EDF), returning 7.05% and traded at a 2.21% discount at April month-end. Following EDF were Stone Harbor Emerging Markets Total Income Fund (NYSE:EDI), tacking 6.94% onto its March month-end value and traded at an 11.49% discount on April 30; Morgan Stanley Emerging Markets Domestic Debt Fund, Inc. (NYSE: EDD), posting a 4.52% return and traded at a 12.88% discount at month-end; and Double-Line Income Solutions Fund (NYSE: DSL, housed in Lipper's High Yield CEFs [Leveraged] classification), returning 3.58% and traded at an 8.69% discount on April 30.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 2.17% for Nuveen Build America Bond Opportunity Fund (NYSE:NBD, housed in Lipper's General Bond CEFs classification and traded at an 8.54% discount on April 30) to 3.50% for Global High Income Fund Inc. (NYSE: GHI, housed in Lipper's Emerging Markets Debt CEFs classification) and traded at a 13.06% discount at month-end. The 20 topper-forming fixed income CEFs posted returns at or above 2.24%, while the 20 lagging CEFs were at or below minus 1.38%. A total of only 141 fixed income CEFs witnessed plus-side performance for April.

PREMIUM AND DISCOUNT BEHAVIOR

For April the median discount of all CEFs narrowed 43 bps to 8.24%—better than the 12-month moving average discount (8.56%). Equity CEFs' median discount widened 16 bps to 9.47%, while fixed income CEFs' median discount narrowed 89 bps to 7.44%. The Single-State Municipal Bond CEFs macro-classification's median discount witnessed the largest narrowing, 175 bps to 5.97%, while the World Equity CEFs macro-classification witnessed the largest widening in the CEFs universe—29 bps to 11.32%.

For the month 63% of all funds' discounts or premiums improved, while 34% worsened. In particular, 43% of equity funds and 77% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on April 30 (65) was two more than on March 31.

CEF Events and Corporate Actions

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CEF EVENTS AND CORPORATE ACTIONS

IPOs

There were no new CEFs in April.

RIGHTS, REPURCHASES, TENDER OFFERS

Investors have until May 8 to participate in Diversified Real Asset Income Fund's (NYSE: DRA) tender offer for up to 10% of its outstanding common shares at 99% of NAV.

After the 15-week measurement period ended The Central Europe, Russia and Turkey Fund (NYSE: CEE) announced that the fund had traded at an average discount of 10.01%; therefore, it will conduct a tender offer for up to 5% of its outstanding shares at 98% of NAV.

Trustees of Clough Global Equity Fund (NYSE: GLQ), Clough Global Opportunities Fund (NYSE: GLO), and Clough Global Allocation Fund (NYSE: GLV) approved share-repurchase programs to allow each fund to purchase up to 5% of its outstanding common shares until October 31, 2015.

The transferable rights offering for Center Coast MLP & Infrastructure Fund (NYSE: CEN) was oversubscribed. The offering found willing buyers for almost 5 million shares at $15.38 each for total gross proceeds of about $76 million.

MERGERS AND REORGANIZATIONS

BlackRock merged The BlackRock Pennsylvania Strategic Municipal Trust (NYSE: BPS) into BlackRock MuniYield Pennsylvania Quality Fund (NYSE: MPA) and BlackRock MuniYield New Jersey Quality Fund (NYSE: MJI) into BlackRock MuniHoldings New Jersey Quality Fund (NYSE:MUJ).

OTHER

Goldman Sachs BDC (NYSE: GSBD) issued all 900,000 overallotment shares of its common shares for underwriters of GSBD`s six-million-share IPO back in March.

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Market Videos

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May 5, 2015
Jeffrey Gundlach of DoubleLine Capital: *Puerto Rico bonds a good bet? Jeffrey Gundlach says yes*

April 17, 2015
Mike Rawson of Morningstar: *4 Passive-Investing Pitfalls to Avoid*

May 1, 2015
Bob Goldsborough of Morningstar: *A Broader Way to Build Housing-Sector Exposure*

April 17, 2015
Brian Wesbury of First Trust: *The Two Americas*

April 27, 2015
John P. Calamos, Sr. of Calamos Investments: *John P. Calamos, Sr. on Fox Business*

February 2, 2015
Nigel Emmett of J.P. Morgan Asset Management: *Beyond Market Cap Investing: Strategic Beta ETFs*

CEF Performance Statistics

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Category	Average 1Mo NAV Change	Average 1Mo Mkt Change	Average P/D 4/30/2015	Average P/D 3/31/2015	Average 1 Mo P/D Change	Average YTD NAV Change	Average YTD Mkt Change	Average YTD P/D Change (%)
California Municipal Debt Funds	-1.3%	0.4%	-1.6%	-3.2%	1.6%	-0.9%	2.3%	3.0%
Convertible Securities Funds	0.7%	0.4%	-3.3%	-3.0%	-0.3%	1.3%	1.2%	-0.2%
Core Funds	0.3%	0.2%	-7.5%	-7.6%	0.1%	-0.1%	0.4%	1.2%
Corporate BBB-Rated Debt Funds(Leveraged)	-0.1%	0.6%	-9.0%	-9.6%	0.6%	1.0%	2.0%	0.9%
Corporate Debt Funds BBB-Rated	-0.6%	0.4%	-6.9%	-7.8%	0.9%	-0.1%	1.6%	1.6%
Developed Market Funds	3.6%	2.7%	-11.6%	-10.7%	-0.8%	9.2%	9.4%	0.2%
Emerging Markets Funds	5.1%	5.0%	-9.5%	-9.4%	-0.1%	5.8%	5.7%	-0.4%
Emerging Mrkts Hard Currency Debt Funds	3.3%	3.7%	-11.0%	-11.4%	0.4%	0.5%	2.3%	1.5%
Energy MLP Funds	5.1%	4.2%	-6.2%	-5.3%	-0.9%	-1.3%	-3.4%	-2.5%
General & Insured Muni Debt Funds (Leveraged)	-1.4%	-0.3%	-5.6%	-6.7%	1.0%	-0.9%	1.2%	2.0%
General & Insured Muni Fds (Unleveraged)	-0.7%	-0.4%	-0.5%	-0.9%	0.4%	-0.3%	1.5%	1.7%
General Bond Funds	0.1%	0.3%	-4.4%	-4.2%	-0.2%	0.4%	1.0%	0.9%
Global Funds	1.6%	1.4%	-10.1%	-9.8%	-0.3%	1.9%	1.3%	-0.7%
Global Income Funds	1.2%	2.3%	-7.6%	-8.6%	1.0%	-0.2%	1.2%	1.2%
Growth Funds	-2.2%	-0.4%	-12.0%	-3.2%	1.2%	-7.3%	0.6%	2.4%
High Yield Funds	0.6%	0.7%	-10.0%	-10.0%	0.0%	0.6%	-0.2%	-1.3%
High Yield Funds (Leveraged)	-0.2%	-0.1%	-8.0%	-8.1%	0.1%	0.6%	-0.3%	-1.2%
High Yield Municipal Debt Funds	-0.9%	0.2%	-0.3%	-1.4%	1.1%	-0.6%	2.0%	2.7%
Income & Preferred Stock Funds	-0.3%	0.9%	-5.5%	-6.6%	1.0%	0.8%	3.6%	2.3%
Intermediate Municipal Debt Funds	-1.1%	0.1%	-3.7%	-4.8%	1.1%	-0.7%	1.1%	1.7%
Loan Participation Funds	0.6%	1.0%	-7.2%	-7.5%	0.3%	1.9%	4.8%	2.3%
Natural Resources Funds	5.4%	4.5%	-8.4%	-7.7%	-0.7%	1.6%	2.4%	2.3%
New Jersey Municipal Debt Funds	-1.8%	-0.7%	-6.9%	-8.0%	1.0%	-1.9%	2.4%	4.0%
New York Municipal Debt Funds	-1.4%	0.2%	-4.5%	-6.0%	1.5%	-1.3%	1.9%	3.0%
Options Arbitrage/Opt Strategies Funds	1.2%	0.7%	-3.7%	-3.2%	-0.5%	1.3%	3.4%	2.0%
Other States Municipal Debt Funds	-1.3%	0.2%	-5.2%	-7.1%	1.5%	-0.9%	2.2%	2.9%
Pacific Ex Japan Funds	5.7%	5.7%	-11.4%	-11.3%	0.0%	5.0%	3.1%	-1.8%
Pennsylvania Municipal Debt Funds	-1.2%	-0.2%	-9.2%	-10.0%	0.9%	-0.9%	0.1%	0.9%
Real Estate Funds	-2.0%	-2.1%	-11.0%	-13.4%	0.6%	0.1%	-0.7%	-0.1%
Sector Equity Funds	1.0%	1.0%	-5.3%	-7.4%	-0.3%	3.4%	1.8%	-0.3%
U.S. Mortgage Funds	0.2%	-0.2%	-8.8%	-8.5%	-0.3%	0.1%	-0.5%	-0.4%
Utility Funds	2.8%	1.6%	-4.7%	-3.6%	-1.1%	-1.1%	-1.0%	0.3%
Value Funds	1.2%	0.0%	-12.7%	-11.9%	-0.8%	1.0%	-2.3%	-2.3%
Grand Total	0.4%	0.9%	-6.4%	-6.9%	0.4%	0.5%	1.6%	1.1%

Top 5 Performing CEFs

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Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
Asia Pacific Fund	Pacific Ex Japan Funds	XAPBX	14.4%	1
China Fund	Emerging Markets Funds	CHN	14.3%	2
JPMorgan China Region	Emerging Markets Funds	JFC	14.0%	3
Templeton Dragon Fund	Emerging Markets Funds	XTDFX	12.9%	4
Templeton Russia & E Eur	Emerging Markets Funds	XTRFX	12.4%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
JPMorgan China Region	Emerging Markets Funds	JFC	22.4%	1
Morg Stan China A	Emerging Markets Funds	XCAFX	22.1%	2
China Fund	Emerging Markets Funds	CHN	21.7%	3
Templeton Dragon Fund	Emerging Markets Funds	XTDFX	20.8%	4
Templeton Russia & E Eur	Emerging Markets Funds	XTRFX	19.5%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
Templeton Russia & E Eur	Emerging Markets Funds	XTRFX	13.9%	1
China Fund	Emerging Markets Funds	CHN	13.2%	2
JPMorgan China Region	Emerging Markets Funds	JFC	13.0%	3
Asia Pacific Fund	Pacific Ex Japan Funds	XAPBX	12.6%	4
Central Euro Russia & Tu	Emerging Markets Funds	XCEEX	12.4%	5

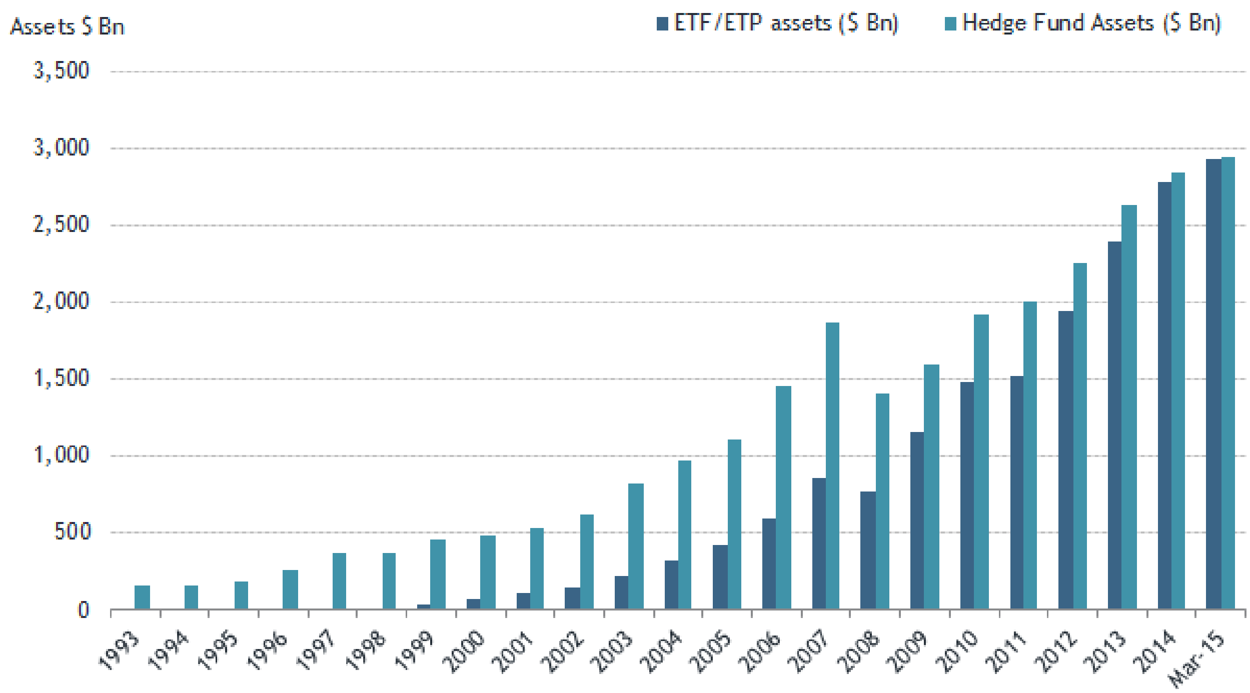
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
Templeton Russia & E Eur	Emerging Markets Funds	XTRFX	24.4%	1
JPMorgan China Region	Emerging Markets Funds	JFC	20.7%	2
Aberdeen Japan Equity	Developed Market Funds	XJEQX	20.5%	3
China Fund	Emerging Markets Funds	CHN	20.2%	4
Cornerstone Total Return	Core Funds	XCRFX	18.1%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
Herzfeld Caribbean Basin	Emerging Markets Funds	CUBA	10.1%	1
BlackRock MuniYld AZ	Other States Municipal Debt Funds	XMZAX	8.1%	2
Neuberger CA Intmdt Muni	Intermediate Municipal Debt Funds	XNBWX	4.9%	3
Flrty Pfd Income Fund	Income & Preferred Stock Funds	XPFDX	4.5%	4
Cornerstone Total Return	Core Funds	XCRFX	4.5%	5

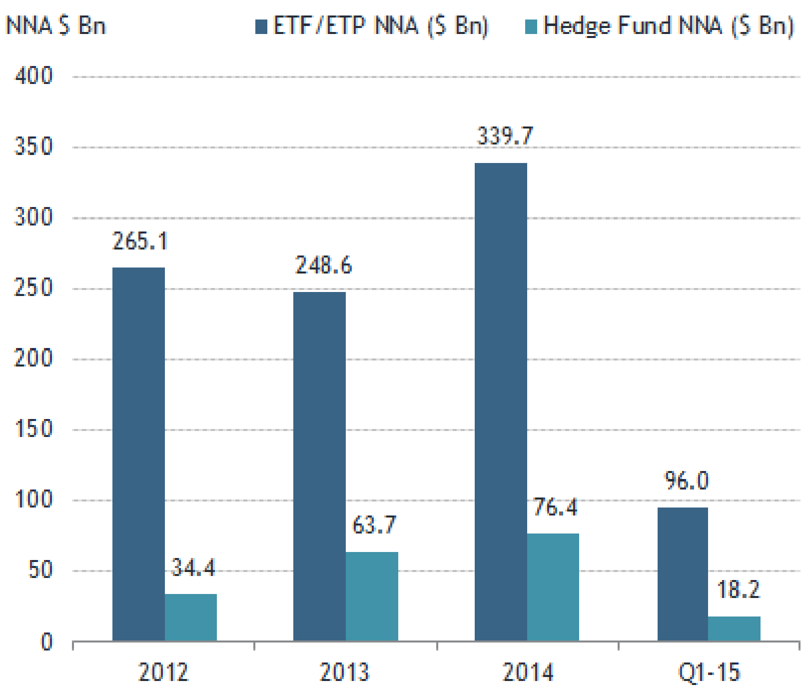
Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
Cornerstone Total Return	Core Funds	XCRFX	27.1%	1
PIMCO Gl StksPLUS & Inc	Options Arbitrage/Opt Strategies Funds	XPGPX	20.2%	2
Cornerstone Strat Value	Core Funds	XCLMX	14.4%	3
Herzfeld Caribbean Basin	Emerging Markets Funds	CUBA	14.1%	4
Flrty Pfd Income Fund	Income & Preferred Stock Funds	XPFDX	10.8%	5

Global assets in ETFs/ETPs and Hedge Funds at the end of Q1 2015

The assets in the global ETF/ETP industry reached a new record of US$ 2.926 trillion while the assets in the global hedge fund industry reached a new record of US$ 2.939 trillion at the end of Q1 2015.



Net new assets flows for ETFs/ETPs and Hedge Funds at the end of Q1 2015



Performance

Year	HFRI	S+P 500
2011	-5.25%	2.11%
2012	6.36%	16.00%
2013	9.13%	32.39%
2014	3.3%	13.69%

Source HFR S+P Dow Jones

Fees

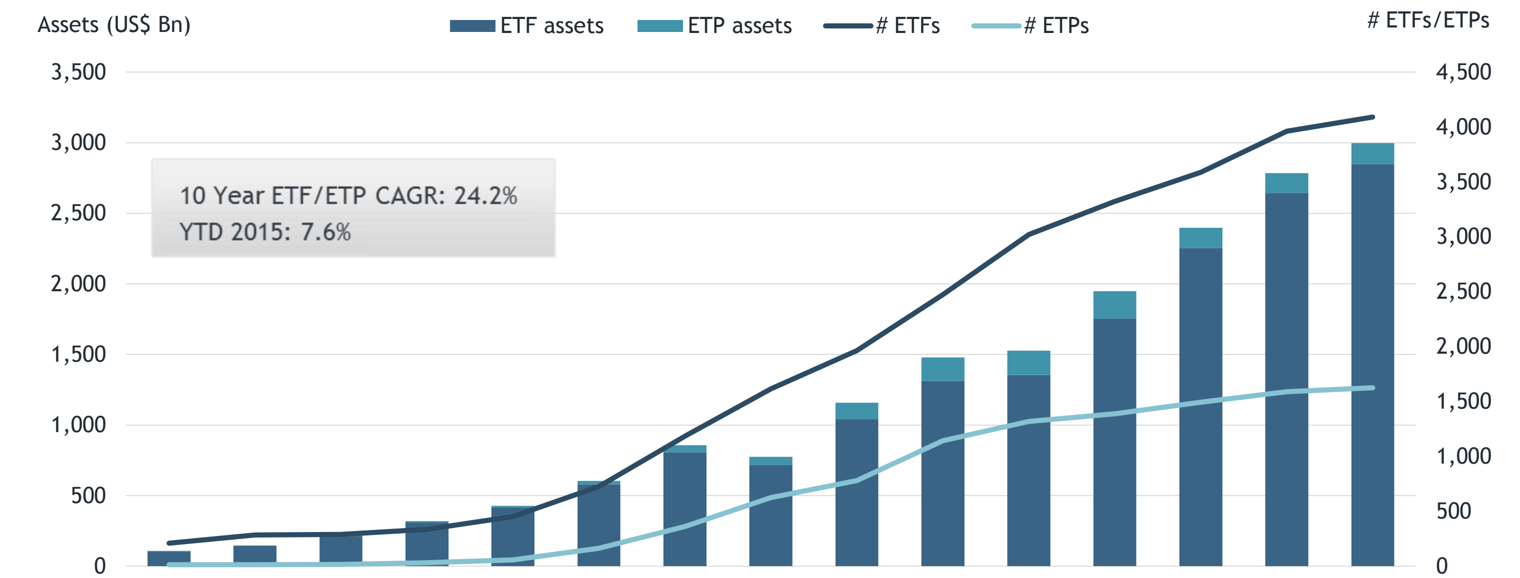
Liquidity

Transparency

Sources: ETFGI and HFR

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

At the end of April 2015, the global ETF industry had 4,090 ETFs, with 8,769 listings, assets of US$2,849 Bn, from 218 providers on 61 exchanges. At the end of April 2015, the global ETF/ETP industry had 5,714 ETFs/ETPs, with 11,077 listings, assets of US$2,998 Bn, from 250 providers on 63 exchanges.



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Apr-15
# ETFs	209	284	289	335	451	725	1,184	1,614	1,962	2,474	3,020	3,323	3,588	3,962	4,090
# ETFs/ETPs	221	296	304	365	507	888	1,544	2,238	2,741	3,617	4,337	4,711	5,082	5,552	5,714
ETF assets	105	142	212	310	417	580	807	716	1,041	1,313	1,355	1,754	2,254	2,643	2,849
ETF/ETP assets	109	146	218	319	426	603	857	774	1,158	1,478	1,526	1,949	2,398	2,785	2,998

Summary for ETFs/ETPs: Global

Assets in ETFs/ETPs globally reached a new record 2.998 trillion US dollars but fell short of breaking through the 3 trillion milestone at the end of April according to ETFGI's preliminary monthly ETF and ETP global insight report for April 2015. Our forecast was that assets will break through 3 trillion by the middle of 2015.

Record levels of assets were also reached at the end of April for ETFs/ETPs listed in the United States at US$2.132 trillion, Europe at US$511 billion, Asia Pacific ex-Japan at US$125 billion, Japan at US$112 billion and Canada at US$69.9 billion.

The global ETF/ETP industry had 5,719 ETFs/ETPs, with 11,077 listings, from 250 providers listed on 63 exchanges in 51 countries.

In April 2015, ETFs/ETPs saw net inflows of US$10.6 Bn. Through the end of April record levels of net new assets (NNA) have been reached by ETFs/ETPs listed globally, gathering US$108.8 billion – a significant increase on the US$71.7 billion in in the first four months of 2014. Products listed in the United States gathered US$72.1 billion which is more than double the US$34.9 billion gathered over the same period in 2014, while ETFs/ETPs listed in Europe gathered US$38.4 billion, which is significantly higher than the US$20.4 billion gathered during the same period in 2014.

"Market performance outside the United States contributed to the overall increase in assets invested in ETFs/ETPs. Developed and emerging markets had a very good month, gaining 5% and 8%, respectively while in the United States the S&P 500 and Dow were up less than 1%", according to Deborah Fuhr, managing partner of ETFGI.

In April 2015, ETFs/ETPs saw net inflows of US$10.6 Bn. Fixed income ETFs/ETPs gathered the largest net inflows with US$9.8 Bn, followed by equity ETFs/ETPs with US$1.8 Bn, while commodity ETFs/ETPs saw net outflows of US$1.1 Bn.

YTD through end of April 2015, ETFs/ETPs have seen record net inflows of US$108.8 Bn. Equity ETFs/ETPs gathered the largest net inflows YTD with US$53.2 Bn, followed by fixed income ETFs/ETPs with a record level of US$41.2 Bn, and commodity ETFs/ETPs with US$5.6 Bn in net inflows YTD.

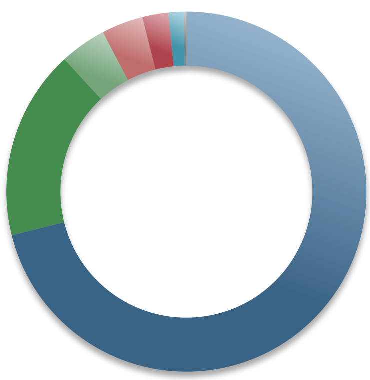
Vanguard gathered the largest net ETF/ETP inflows in April with US$8.1 Bn, followed by DB/x-trackers with US$5.9 Bn and WisdomTree with US$4.1 Bn net inflows.

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

Global ETF/ETP Assets Summary

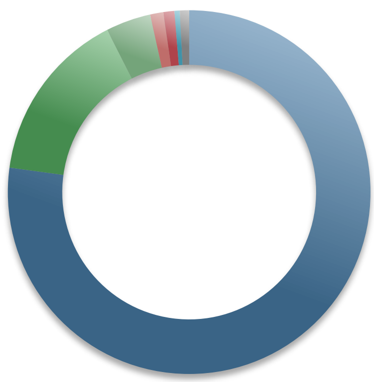
etfgi.com

ETF/ETP assets by region listed



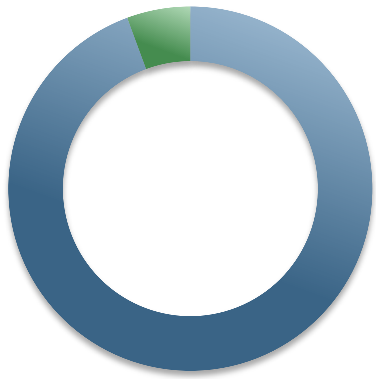
Region	# ETFs/ ETPs	Assets (US$ Bn)	% total
US	1,703	$2,131.9	71.1%
Europe	2,107	$511.1	17.0%
Asia Pacific (ex-Japan)	636	$125.3	4.2%
Japan	157	$112.0	3.7%
Canada	360	$69.9	2.3%
Middle East and Africa	702	$41.1	1.4%
Latin America	49	$7.0	0.2%
Total	**5,714**	**$2,998.3**	**100.0%**

ETF/ETP assets by asset class



Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	3,039	$2,313.3	77.2%
Fixed Income	854	$461.1	15.4%
Commodities	711	$120.4	4.0%
Leveraged	324	$35.1	1.2%
Active	207	$29.5	1.0%
Leveraged Inverse	161	$14.2	0.5%
Others	418	$24.7	0.8%
Total	**5,714**	**$2,998.3**	**100.0%**

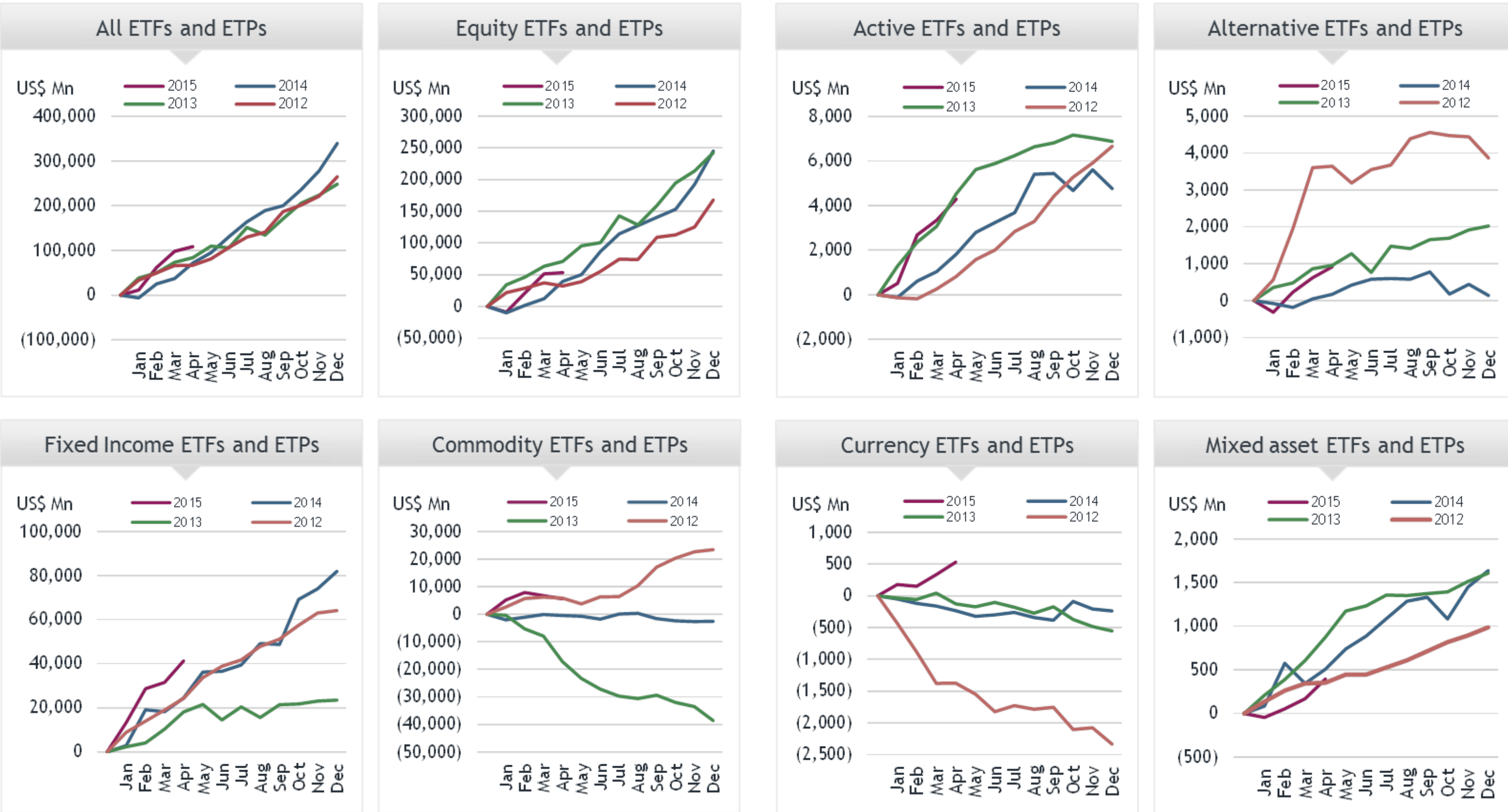
ETF/ETP assets by product structure



Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
ETF	4,090	$2,848.6	95.0%
ETP	1,624	$149.7	5.0%
Total	**5,714**	**$2,998.3**	**100.0%**

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

YTD 2015 vs 2014, 2013, 2012 ETF and ETP net new assets by asset class: Global



ETFs and ETPs listed globally gathered net inflows of $10,574 Mn in April. Year to date, net inflows stand at $108,752 Mn. At this point last year there were net inflows of $71,668 Mn.

Equity ETFs/ETPs saw net inflows of $1,792 Mn in April, bringing year to date net inflows to $53,181 Mn, which is greater than the net inflows of $39,580 Mn over the same period last year.

Fixed income ETFs and ETPs experienced net inflows of $9,757 Mn in April, growing year to date net inflows to $41,217 Mn, which is greater than the same period last year which saw net inflows of $24,452 Mn.

Commodity ETFs/ETPs saw net outflows of $1,147 Mn in April. Year to date, net inflows are at $5,583 Mn, compared to net outflows of $517 Mn over the same period last year.

Actively managed products saw net inflows of $956 Mn in April, bringing year to date net inflows to $4,294 Mn, which is greater than the net inflows of $1,852 Mn over the same period last year.

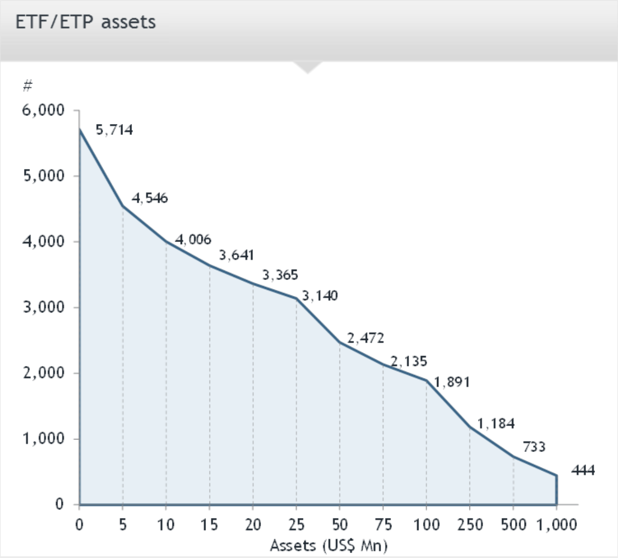
Products tracking alternative indices experienced net inflows of $293 Mn in April, growing year to date net inflows to $914 Mn, which is greater than the same period last year which saw net inflows of $174 Mn.

Currency products accumulated net inflows of $197 Mn in April. Year to date, net inflows are at $532 Mn, compared to net outflows of $233 Mn over the same period last year.

Products holding more than one asset class saw net inflows of $224 Mn in April, bringing year to date net inflows to $394 Mn, which is less than the net inflows of $507 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 in-house.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 data becomes available.

Distribution of ETFs/ETPs by size



Assets greater than (US$ Mn)	# ETFs/ ETPs	% total	Total assets (US$ Bn)	% total
0	5,714	100.0%	2,992	100.0%
5	4,546	79.6%	2,990	99.9%
10	4,006	70.1%	2,986	99.8%
15	3,641	63.7%	2,981	99.6%
20	3,365	58.9%	2,976	99.5%
25	3,140	55.0%	2,971	99.3%
50	2,472	43.3%	2,947	98.5%
75	2,135	37.4%	2,927	97.8%
100	1,891	33.1%	2,906	97.1%
250	1,184	20.7%	2,792	93.3%
500	733	12.8%	2,630	87.9%
1,000	444	7.8%	2,428	81.2%

444 ETFs/ETPs have greater than US$1 Bn in assets, while 1,891 have greater than US$100 Mn in assets and 2,472 have greater than US$50 Mn in assets. The 444 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,428 Bn, or 81.2%, of Global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) Apr-15	NNA (US$ Mn) Apr-15	NNA (US$ Mn) YTD 2015
S&P 500 Index	326,175	(12,740)	(44,028)
MSCI EAFE Index	76,671	5,384	14,364
CRSP US Total Market Index	56,418	1,127	4,167
Nikkei 225 Index	54,165	734	4,052
TOPIX Index	45,376	250	4,138
NASDAQ 100 Index	44,281	401	(2,356)
S&P Mid Cap 400 Index	43,301	778	1,377
MSCI Japan Index	35,243	2,137	4,343
EURO STOXX 50 Index	34,455	78	3,439
Russell 1000 Growth Index	29,394	(433)	245
Russell 2000 Index	28,611	(3,295)	(3,294)
FTSE Developed ex North America Index	27,673	945	1,067
MSCI US REIT Index	26,757	(398)	257
Russell 1000 Value Index	26,226	(244)	(83)
MSCI World Index	20,515	(157)	77
NASDAQ Dividend Achievers Select Index	20,406	(113)	(678)
Wisdom Tree Europe Hedged Equity Index	19,684	2,845	12,987
DAX Index	18,644	(3,405)	(1,361)
CRSP US Large Cap Growth Index	18,530	(20)	641
CRSP US Large Cap Value Index	18,403	21	1,040

Top 20 by monthly net inflows

Name	Assets (US$ Mn) Apr-15	NNA (US$ Mn) Apr-15	NNA (US$ Mn) YTD 2015
MSCI EAFE Index	76,671	5,384	14,364
Wisdom Tree Europe Hedged Equity Index	19,684	2,845	12,987
MSCI Japan Index	35,243	2,137	4,343
S&P Energy Select Sector Index	14,844	1,358	2,258
CRSP US Total Market Index	56,418	1,127	4,167
FTSE Developed ex North America Index	27,673	945	1,067
Hang Seng Index	17,349	911	1,158
MSCI EMU Index	16,883	804	4,504
S&P Mid Cap 400 Index	43,301	778	1,377
Nikkei 225 Index	54,165	734	4,052
WisdomTree Japan Hedged Equity Index	17,005	665	3,147
MSCI Germany Index	7,435	555	2,229
FTSE Developed Europe Index	14,168	490	1,839
MSCI Europe USD Hedged Index	2,406	477	1,568
MSCI Germany 100% Hedged to USD Index	1,851	448	1,662
CRSP US Mid Cap Index	11,878	403	1,579
NASDAQ 100 Index	44,281	401	(2,356)
MSCI Hong Kong Index	3,574	364	408
CRSP US Small Cap Index	11,235	321	1,090
S&P US 600 Small Cap Index	16,315	319	1,157

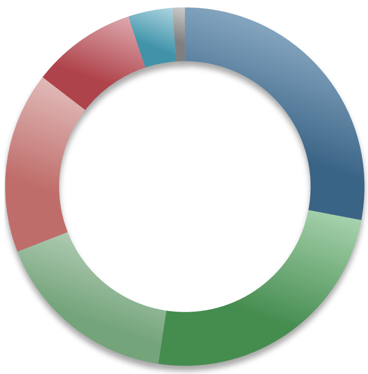
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources and data generated in-house.

Year to Date ETF / ETP Product Launches

etfgi.com

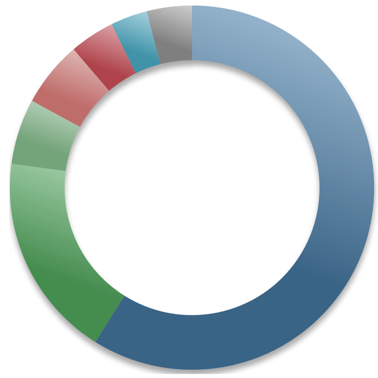
2015 ETF/ETP product launches

ETFs/ETPs by region listed



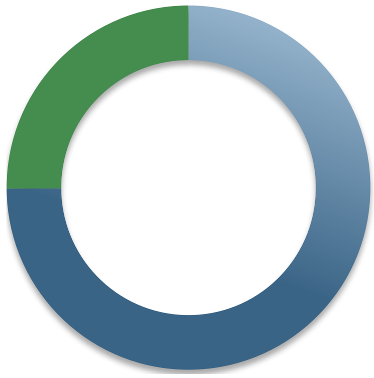
Region	# ETFs/ETPs	% total
US	77	28.0%
Europe	67	24.4%
Asia Pacific (ex-Japan)	46	16.7%
Middle East and Africa	45	16.4%
Canada	26	9.5%
Japan	11	4.0%
Latin America	3	1.1%
Total	**275**	**100.0%**

ETFs/ETPs by asset class



Asset class	# ETFs/ETPs	% total
Equity	162	58.9%
Fixed income	50	18.2%
Leveraged	16	5.8%
Active	16	5.8%
Commodities	11	4.0%
Inverse	9	3.3%
Others	11	4.0%
Total	**275**	**100.0%**

ETFs/ETPs by product structure



Structure	# ETFs/ETPs	% total
ETF	206	74.9%
ETP	69	25.1%
Total	**275**	**100.0%**

Source: ETFGI, Bloomberg, ETF/ETP providers.

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

Fitch Examines Leverage Used by U.S. Closed-End Funds

April 27, 2015

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Fitch Ratings-New York-27 April 2015: Fitch Ratings recently provided an in-depth look at how closed-end funds (CEF) are utilizing leverage in a panel titled 'Use of Leverage by U.S. Closed-End Funds.' The panel was presented at the 14th Annual Capital Link Closed-End Funds and Global ETFs Forum on April 23, 2015. The presentation slide deck can now be accessed on Fitch's website at the link provided at the end of this press release.

Fitch reviewed 241 taxable leveraged U.S. CEFs that issued approximately $54 billion of leverage -- an increase of $4 billion since the same time last year due to NAV appreciation, leverage upsizing and new fund IPOs. The 178 U.S. municipal CEFs reviewed issued approximately $34 billion, which is mostly unchanged since last year as fund managers chose not to upsize leverage despite NAV appreciation.

Click here for complete reading

Midstream Energy Counters Price Uncertainty

May 1, 2015

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Midstream Stable for Now: Credit quality for midstream energy issuers and closed-end funds (CEFs) remains stable even as uncertainty and commodity price weakness weigh on investor sentiment. Production growth for crude oil, natural gas and natural gas liquids (NGLs) continues, highlighting the need for additional midstream energy infrastructure. Cash flow profiles for most issuers remain relatively stable, with only select highly commodity price-sensitive issuers negatively affected in the near term.

Capital Market Access Remains Strong: Despite commodity price headwinds and equity price weakness, capital market access for midstream energy names and CEFs investing in midstream energy names remains strong. Midstream issuers and master limited partnership (MLP) CEFs have been taking advantage of continued low interest rates accessing both debt and equity markets with relative ease.

Click here for complete reading

Rating Actions

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

- **Fitch Rates Two Clearbridge MLP Fund Pfd 'AA'; Affirms Existing Ratings' – March 27, 2015**
- **Fitch Confirms Ratings of VRDP Shares Issued by Nuveen Funds on Replacement of Liquidity Providers' – March 27, 2015**
- **Fitch Rates Tortoise Energy Infrastructure Notes 'AAA'; Affirms Existing Ratings – April 2, 2015**
- **Fitch Affirms Preferred Shares Issued by 42 Nuveen Closed-End Funds – April 2, 2015**
- **Fitch Rates Tortoise Energy Infrastructure Notes 'AAA'; Affirms Existing Ratings – April 9, 2015**
- **Fitch Rates iMTP Shares Issued by Nuveen Closed End Fund – April 10, 2015**
- **Fitch Rates Kayne Anderson Fund New Preferred Stock 'AA' – April 10, 2015**
- **Fitch Affirms BlackRock Muni CEF Preferred Shares on Reorganization – April 13, 2015**

Closed-End Fund Review – First Quarter 2015

April 2015

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

First Quarter Overview

The first quarter of 2015 was a decent one for diversified closed-end fund (CEF) investors with the average fund up 2.03%. The continued decline in global interest rates was particularly beneficial to fixed-income CEFs which were up 3.04% for the quarter. While it was a volatile quarter for equities (particularly U.S. equities), the average equity CEF still managed to achieve a gain of 0.44% for the first three months of the year, although domestic equity CEFs were lower by 0.43%.

Leveraged municipal CEFs had a strong quarter (up 3.08%). As I wrote on 1/26/2015[1] , given our Economic Team's forecast that both short- and long-term interest rates could begin to slowly rise this year, I prefer investors focus more on non-levered municipal CEFs (which tend to have less duration risk than leveraged municipal CEFs), while still providing attractive tax-free income as well as important balance in a portfolio. Non-leveraged municipal CEFs also had a strong first quarter of 2015, up 2.87%.

After a challenging 2014 when the average senior loan CEF was lower by 1.93%, senior loan CEFs bounced back during the first quarter of 2015 with the average senior loan CEF positive by 5.41%. Valuations for senior loan CEFs still remain compelling, in my opinion, with the average senior loan CEF at a 6.77% discount to net asset value (NAV) at the quarter's end, which remains more inexpensive than historical averages for the category (see below). Given the short duration of the underlying asset class of senior loans, as well as the sound fundamentals and still attractive discounts to NAV among senior loan CEFs, they continue to be an area in which I believe income-oriented investors should be exposed.

NOTE: All data is from Morningstar and is share price total return as of 3/31/15.

A Look at Valuations of Three Favored Categories

Three categories of the CEF marketplace to which I continue to advocate investors maintain exposure, include domestic equity CEFs, limited duration CEFs and senior loan CEFs. Given our Economic Team's forecast for continued "plow horse" growth in the U.S. economy, higher domestic equity prices and the fact that the Federal Reserve should begin to raise the federal funds in June, I believe the backdrop for these three categories remains a favorable one. Moreover, the valuations (i.e. discounts to net asset value) also remain compelling.

From my standpoint, the price an investor pays for any security should always be one of the most important criteria they should consider when deciding whether an investment is compelling (or not). To that end, when investing in a CEF, I believe investors should focus on the share price of a fund relative to a fund's net asset value (NAV). Importantly, in my view, investing in a CEF solely because the price is at a discount to its NAV is not all investors should consider as it relates to a fund's valuation. Rather, I prefer to focus on funds which are not only trading at a discount to NAV but, more importantly, are trading at a discount to NAV which is wider than where the fund's discount has historically been. When a fund trades at a discount to NAV which is wider than where it has historically traded, it could be an indication that there is real value in a fund and the market has yet to appreciate the value.

As you can see from the table below, all three of these favored categories are trading at wider discounts to NAV (for the most part) and therefore, more compelling valuations, in my opinion, than where they have historically traded. These compelling valuations, coupled with the positive back drop I mentioned above, continue to be why I still believe CEF investors should maintain exposure to these categories.

[1]http://www.ftportfolios.com/Commentary/Insights/2015/1/26/fourth-quarter-2014

Category	Prem/Dis 3/31/15	Prem/Disc 3/31/14	Prem/Disc 3/31/12	Prem/Disc 3/31/10	Prem/Disc 3/31/05
Domestic Equity	-6.47%	-7.00%	-5.28%	-2.63%	-2.45%
Limited Duration	-11.22%	-8.68%	-1.95%	-3.79%	-4.34%
Senior Loan	-6.77%	-5.32%	-1.10%	2.60%	-1.00%

SOURCE: Morningstar

Click here for complete reading

A Snapshot of Q1 Flows and Trends

May 2015

Authored by:
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US-listed exchange-traded fund (ETF) net inflows totaled $59.1 billion during the first quarter of 2015, according to Morningstar.[1] International Equity ETFs and Taxable Bond ETFs received the strongest net inflows, totaling $37.7 billion and $20.2 billion, respectively, while US Equity ETFs had the largest net outflows, totaling $12.6 billion. (See Table 1 below) Within the International Equity category, currency-hedged ETFs received $26.5 billion in net inflows, as US investors sought to avoid foreign currency risk. Within the Taxable Bond ETFs category, net inflows were strongest among High Yield Bond ETFs (+$4.8 billion), Corporate Bond ETFs (+$4.8 billion), Intermediate-Term Bond ETFs (+$3.5 billion), and Preferred Stock ETFs (+$1.9 billion). Interestingly, net outflows for the US Equity category may not be as bad as they seem, as outflows from a single ETF totaled nearly $31.3 billion. Apart from this ETF, the US Equity ETFs category received $18.8 billion in net inflows.

The Case for European Equity ETFs Continues to Develop

Among international equity ETFs, funds focused on Europe received net inflows totaling over $19 billion during the first quarter. Notably, nearly $14 billion of net inflows came from currency-hedged European equity ETFs. There are several factors that may have contributed to investors' growing appetite for European stocks, many of which may continue to provide tailwinds in the months ahead.

Potential Impacts of European Monetary Policy

One significant factor supporting the case for European stocks is the commitment of the European Central Bank (ECB) to easy monetary policy. In addition to standard monetary policy measures holding key interest rates low, the ECB has implemented programs similar to the so-called "quantitative-easing" programs instituted in the US by the Federal Reserve. In March, the Eurosystem began a program of purchasing bonds issued by Euro-area central governments, and certain other Euro-area agencies and international institutions. Combined with two other asset-purchasing programs that were launched in the fourth quarter of 2014, this Expanded Asset Purchase Program (APP), is intended to total €60 billion per month, and to be carried out until September 2016.

According to the ECB, the purpose of these non-standard monetary policy measures is to "help businesses across Europe to enjoy better access to credit, boost investment, create jobs and thus support overall economic growth, which is a precondition for inflation to return to and stabilise at levels close to 2%." While there is general disagreement about how well such programs may achieve these objectives, the ECB has succeeded in signaling its commitment to holding interest rates low, as reflected in the remarkably low yields among euro-area government bonds. This environment of low yields provides incentive for investors to take more risk in order to achieve their return objectives, which may increase demand for European equities.

Corresponding with the ECB's discussion and implementation of the APP over the past year, the Euro has weakened significantly relative to other major currencies, especially the US Dollar. A weaker Euro may provide a lift for European companies that are significant exporters as favorable currency translation boosts revenues earned overseas, while also potentially enabling exporters to lower prices in foreign markets in order to compete more aggressively with foreign rivals. Of course, the true impact that currency translation provides for individual European companies and their foreign competitors will vary, depending largely on the degree to which both categories have undergone currency-hedging.

Table 1

ETF Asset Category	Net Asset Flows - Q1 2015	Net Asset Flows - Previous 4 Quarters (1/1/2014-12/31/2014)
Allocation	$235,951,746	$2,799,135,369
Alternative	$3,185,670,290	$4,134,216,753
Commodities	$3,214,607,397	($1,547,536,032)
International Equity	$37,713,968,156	$43,345,220,464
Municipal Bond	$1,326,109,639	$3,022,768,280
Sector Equity	$5,772,774,137	$43,057,508,846
Taxable Bond	$20,251,056,476	$50,592,299,064
US Equity	($12,586,252,499)	$96,481,384,353

European Economic fundamentals show gradual improvement and better sentiment

Overall, economic fundamentals continue to improve in Europe, albeit gradually. Following seven straight quarters of year-over-year real gross domestic product (GDP) declines (Q1 2012—Q3 2013), the Euro area has produced positive real GDP growth for five consecutive quarters (Q4 2013—Q4 2014). (See Chart 1) The Euro-area's unemployment rate, which was most recently reported at 11.3% for February 2015, has gradually improved from its mid-summer 2013 peak of 12.1%. (See Chart 2 on the following page) While neither measure signals robust economic growth, both point to improving economic stability in the region.

As conditions have evolved in Europe, economic and investor sentiment has begun to improve, which may lead to greater investment in the future.

In March, the European Commission Economic Sentiment Indicator for the Eurozone recorded its highest reading since July of 2011, at 103.9. (See Chart 3)[2] Also in March, the Sentix Economic Overall Index for the Euro Area, calculated from surveys of 4500 individual and institutional investors, recorded its highest reading since August of 2007. (See Chart 4)[3]

To hedge or not to hedge?

We believe one important factor US ETF investors seeking exposure to European equities must consider is whether or not to utilize currency-hedged ETFs. During the first quarter, approximately 7 of every 10 dollars of net inflows invested in US-listed European Equity ETFs went to funds that employ currency-hedging strategies. Currency-hedged ETFs seek to negate the return contribution that fluctuating currency exchange rates typically makes to an unhedged ETF's total return. Generally speaking, this is accomplished by entering into forward contracts, whose gains or losses roughly offset the currency exchange gains or losses of foreign currency-denominated investments.

Currency-hedging strategies are most beneficial when an investor's home currency is strengthening relative to the foreign currency in which an underlying investment is denominated. In such environments, relative outperformance versus unhedged ETFs with similar underlying portfolios may be expected. On the other hand, when an investor's home currency is weakening versus the foreign currency in which an underlying investment is denominated, exposure to currency exchange risk may be desirable since it increases total returns. In these environments, currency-hedged ETFs will likely suffer relative underperformance compared to unhedged ETFs with similar underlying portfolios.

With this contrast in mind, ETF investors seeking exposure to European equities are faced with an important choice between currency-hedged ETFs or non-currency-hedged ETFs. Predicting future currency exchange rates is difficult, and timing currency markets is even more so. But following the nearly 33% rally of the US Dollar versus the Euro from 3/18/14 to its most recent peak on 3/13/15, we believe investors may be better off choosing the latter for the current environment. While trends in currency exchange rates

Chart 1*
Eurozone Real GDP (YoY%)

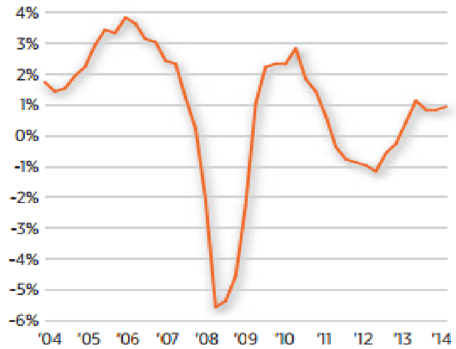


Chart 2*
Eurozone Unemployment (SA)

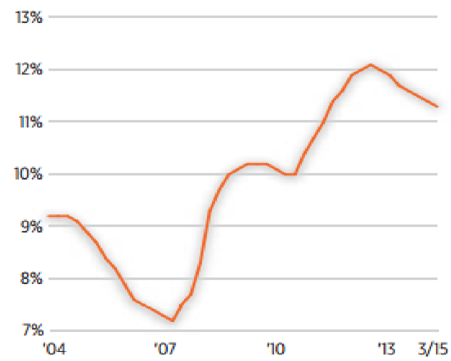


Chart 3*
European Commission Economic Sentiment Indicator- Eurozone

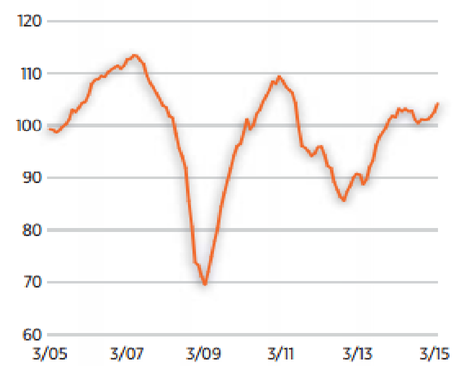
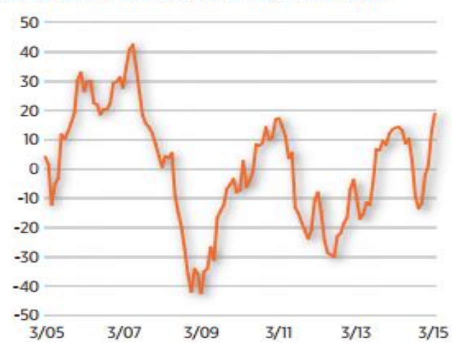


Chart 4*
Sentix Economic Overall Index- Euro area



may sometimes last for multi-year periods, the previous three occasions that the US Dollar rallied more than 20% versus the Euro lasted just over 9 months (204 trading days) on average,4 compared to the most recent rally, which has lasted just under 12 months from the previous trough to the most recent peak (258 trading days). Each of the previous three US Dollar rallies was followed by a double digit counter-rally for the Euro, which lasted over 14 months (310 trading days) on average,5 resulting in an average decline of about 17% for the US Dollar versus the Euro. (See Chart 5) If this pattern repeats, and the Euro stages a new counter-rally versus the US Dollar, hedging Euro exposure may be counter-productive, resulting in underperformance relative to non-currency hedged ETFs.

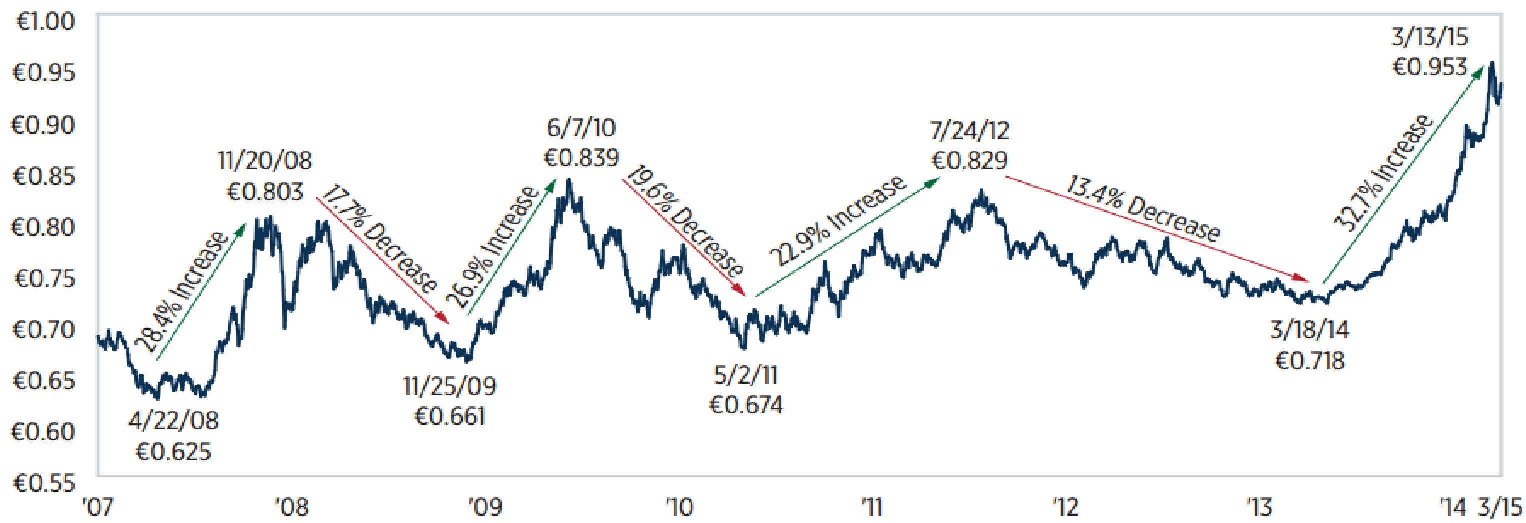
The First Trust family of ETFs offers the following non-currency-hedged European equity ETFs:

» First Trust Eurozone AlphaDEX® ETF (FEUZ)
» First Trust Europe AlphaDEX® Fund (FEP)
» First Trust STOXX® European Select Dividend Index Fund (FDD)

*Data from Bloomberg.
1Morningstar Direct. Includes all US-listed exchange-traded funds, exchange-traded notes and other exchange-traded products.
2The European Commission Economic Sentiment Indicator is calculated from the European Commission's Business and Consumer Surveys, and is a weighted measure of confidence in 5 key areas including: industrial (40%), service (30%), consumer (20%), construction (5%), and retail trade (5%).
3The Sentix Economic Overall Index for the Euro Area is a measure of economic sentiment calculated from surveys of 4500 private and institutional investors.
4Including 4/22/08-11/20/08 (152 days), 11/25/09-6/7/10 (138 days), and 5/2/11-7/24/12 (321 days).
5Including 11/20/08-11/25/09 (264 days), 6/7/10-5/2/11 (235 days), and 7/24/12- 3/18/14 (430 days).

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

Chart 5*
US Dollar/Euro Spot Exchange Rate (Price of 1 USD in EUR)



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Xpert Spotlight: Market outlook from Dodd Kittsley

April 17, 2015

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

Plenty of gas left in the U.S. dollar strength engine
One of the more pronounced trends in global markets over the past year has been the strengthening U.S. dollar. The U.S. Dollar Index appreciated 9% year to date and 23% over the past 12 months, which has had a material impact on U.S. investors' international equity returns.

As the U.S. dollar rises, foreign currencies buy fewer dollars than before. Investors are finding that when their international equity investments are translated back to dollars, returns have been meaningfully diminished due to the effect of currency depreciation. For example, currency exposure posed a headwind of almost 19 percentage points to the return of the MSCI EAFE Index over the past year. Leaving the index's currency exposure unhedged meant that a positive return of 17.7% (in local currency terms) was reduced to –0.9% when converted back to U.S. dollars. Investors who did not hedge found themselves in the painful position of choosing the right equity exposure, but having their return swamped out by a different (and perhaps unintended) driver of risk and return.

That said, a common question among investors is how long this trend can last. Given the pace and mag-nitude of the move in the U.S. dollar in recent months, many fear they have missed the cycle, and moving into a currency-hedged investment now may be too late. But based on the ongoing divergence in economic growth and central-bank policy between the United States and most of the world, we believe the U.S. dollar will continue to strengthen over the coming years.

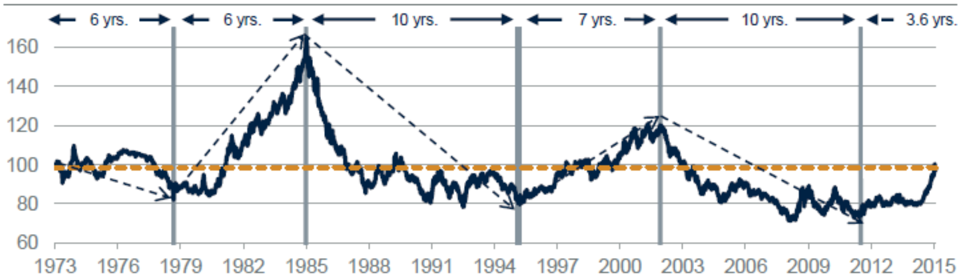
Growth differentials: Economic growth in the United States is at the front of the pack among developed-market economies. Deutsche Asset & Wealth Management expects the U.S. economy will grow by 3.2% in 2015. Gross domestic product (GDP) growth in Europe is expected to accelerate to 1.3% in 2015, and growth in Japan is expected at 1.2%.

Central-bank policy: Divergence in economic cycles has also led to divergence in central-bank policies. As the U.S. unemployment gap closes, the probability increases that the U.S. Federal Reserve (Fed) will hike rates. Meanwhile, the European Central Bank (ECB) and Bank of Japan (BOJ) continue to engage in unprecedented accommodative measures. Both central banks are continuing with quantitative easing (QE) programs and maintaining low benchmark interest rates. During the last two U.S. dollar bull cycles, the dollar peaked only after the cycle top in U.S. rates. With the Fed still yet to hike, calling an end to the current cycle seems premature.

Capital flow: The ECB launched its QE program in March with the aim of purchasing securities worth €60 billion every month. The scale of this program, coupled with negative rates, is pushing European government bonds into negative territory and forcing investors to seek yield elsewhere. Capital is leaving Europe at a record pace, putting downward pressure on the valuation of the euro as flows enter U.S. fixed income. Longer-term, we estimate that capital outflow worth trillions of euros will be necessary for Europe's current-account surplus to become sustainable. The greater the outflow, the more the euro can weaken.

Historically long-dated cycles: From a historical perspective, the movement of currencies is hard (if not impossible) to consistently predict on a daily, weekly or even monthly basis. Over multi-year periods, however, the U.S. dollar has typically moved in lengthy cycles. Since 1973, the U.S. dollar cycle has ranged from six to 10 years (excluding the current cycle, which likely began in 2011 during the European sovereign-debt crisis.) If the current U.S. dollar cycle reversed now with fewer than four years under its belt, it would be the shortest-lived cycle since the end of Bretton Woods. Figure 1 illustrates.

Figure 1: U.S. Dollar Index cycles, 2/28/73–3/31/15



Source: Thomson Reuters and Deutsche Bank as of 3/31/15. Vertical axis represents index levels for the U.S. Dollar Index. The orange line indicates the current level. It is not possible to invest directly in an index.

Click here for complete reading

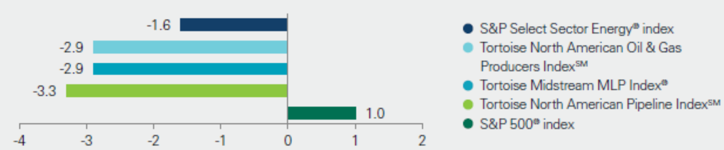
Crude oil supply/demand equation looking for balance

April 2015

Volatility for the broad energy sector continued through the first quarter ending March 31, 2015, as the crude oil supply/demand equation outlined in last quarter's Tortoise Talk struggled to find balance. Investors responded in the short term by pulling back from energy stocks across the energy value chain, but to a much lesser extent than in the previous quarter.

The broader market backdrop during the quarter was mixed. The S&P 500® index was not immune to the volatility in the energy sector in January, as oil prices reached multi-year lows and domestic crude oil inventories were pushed to near capacity. In February, investors responded positively to a slew of generally better-than-expected fourth-quarter earnings reports showing U.S. companies were able to grow their profits. However, slowing progress on the employment front and stagnating homes sales in March restrained the S&P 500, which returned just 1.0% for the quarter. Half of the S&P 500's 10 key sectors were positive for the quarter, led by health care and consumer discretionary. Utilities declined the most during the quarter, followed closely by energy stocks. In March, the Federal Open Market Committee (FOMC) announced it would consider increasing the benchmark Federal funds rate sooner than previously indicated. Fixed-income securities were somewhat restrained by the specter of rising interest rates, with the Barclays U.S. Aggregate Bond Index posting a 1.6% return.

1Q 2015 total returns (%)



[1]Periods reflect 12/31/2014 – 3/31/2015. Source: Bloomberg. It is not possible to invest directly in an index. Please see index definitions on disclaimer page. **Past performance is no guarantee of future results.**

The volatility that characterized the broad energy sector during the final few months of 2014 continued in the first quarter of 2015, though to a much lesser extent, as reflected by the S&P Energy Select Sector® index, which returned -1.6% for the quarter. Upstream oil and gas producers, as represented by the Tortoise North American Oil & Gas Producers Index℠, returned -2.9% for the quarter. Though negative, this performance was significantly better than that delivered in the final quarter of 2014.

MLPs as represented by the Tortoise MLP Index® underperformed the broader market for the quarter ending March 31, 2015, posting a -2.9% return. The average MLP yield was 5.8% for the period. Compared to other yield-oriented investments, MLPs outperformed utilities during the quarter but underperformed real estate investment trusts (REITs) as reflected by the Dow Jones Utility Average Index and the FTSE NAREIT Equity REIT Index, respectively.

Once again, midstream MLPs outperformed their upstream MLP peers during the quarter as investors maintained their preference for the fundamental characteristics of midstream companies. However, midstream companies also retreated during the quarter as volatility made its way to even those names with less direct commodity price exposure. Within midstream, other pipeline companies underperformed MLPs, as reflected by the -3.3% quarterly total return recorded by Tortoise North American Pipeline Index℠, though that performance was driven mostly by local distribution companies that struggled during the quarter.

Value chain overview

Upstream: Production remains strong despite price volatility

In the upstream sector of the energy value chain, price volatility continued but production nonetheless remained strong, driving domestic inventories to multi-year highs.

Crude oil

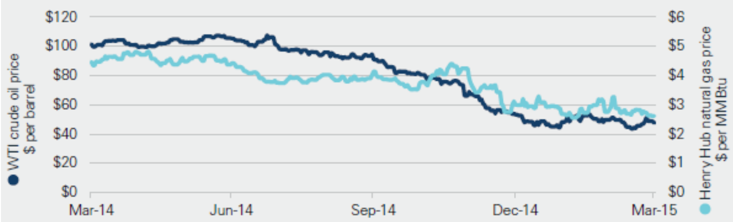
The price of crude oil continued its generally downward trajectory during the first part of the quarter. The price of West Texas Intermediate (WTI) fell from $53.27 per barrel at the start of the quarter, bottomed at $43.46 on March 17 and then recovered a bit to close the quarter at $47.60 per barrel. U.S. crude oil inventories (excluding the Strategic Petroleum Reserve) surpassed 480 million barrels at quarter end, the highest level for this time of year in 80 years.[1] Prices appeared to improve somewhat as the quarter wound to a close, approaching $50 per barrel. At the start of the second quarter, geopolitical factors once again entered the picture. Violence in Yemen escalated, driving speculation about potential supply disruptions and an attendant jump in the price of oil that triggered a rally in energy stocks. Although Yemen is not a large oil producer, it is bordered by both Saudi Arabia and the Gulf of Aden, which is a shipping route used to transport Saudi Arabian oil to Europe and the Americas.

As oil prices moved lower, rig counts, considered a leading indicator of oil production, have fallen sharply, from 1,630 in January to 1,110 on March 27, the lowest level in more than five years.[2] However, despite fewer rigs in operation, crude oil production is expected to remain relatively flat year over year, averaging 9.2 million barrels per day (MMbbl/d) in 2015.[1] The bulk of that production growth is expected in the first half of the year, as the productive capacity of existing wells continues even as drilling slows. However, drilling activity could pick up again during the second half of the year, albeit at a slower pace year over year. Producers are expected to use their most efficient rigs and most experienced crews in the most productive and low-cost regions to increase efficiencies. Lower oil prices also restrained some oilfield service providers, which have tightened their belts by reducing headcounts and other costs in response to lower activity and the need to reduce their service rates.

Natural gas

Natural gas production continued at a strong pace during the quarter as well, despite a fairly steep downward trend in prices and a declining natural gas rig count, which fell from 328 at the beginning of the quarter to 233 on March 27.[2] Prices during the quarter were driven largely by seasonal demand, moving from $2.99 per million British thermal units (MMBtu) at the beginning of the quarter, bottoming at $2.55 per MMBtu on February 6, then trending slightly upward to close the quarter at $2.62 per MMBtu. U.S. production reached 73.75 billion cubic feet per day (Bcf/d) in the first quarter, an 8.7% increase over daily production levels recorded in the first quarter of 2014.[1]

Crude oil & natural gas prices



Source: Bloomberg. Note: MMBtu = million British thermal units

Midstream: Production growth continues to outpace pipeline takeaway capacity

Production growth continues to outpace pipeline takeaway capacity in many areas, underscoring the continued need for additional pipeline infrastructure. MLP and pipeline companies have remained responsive, with new projects coming online. Our projection for capital investment in MLP, pipeline and related organic growth projects from 2015 through 2017 is approximately $153 billion. We have high visibility to cash flow growth through the remainder of 2015 and 2016, but should organic projects slow thereafter, we believe growth opportunities remain. Investments increasingly are being made to enable pipelines to reverse the direction they transport oil or gas. As we have mentioned in prior commentaries, historically, the Gulf Coast has produced gas and shipped it to the heavily populated East Coast. But due to the tremendous production out of the Marcellus, the East Coast no longer needs to pipe in natural gas throughout most of the year. As a result, some pipelines are adding bi-directional capability and reversing flow. MLP growth opportunities also are emerging from healthy merger and acquisition activity within the sector and the healthy pace of dropdowns as energy companies restructure to unlock value.

Downstream: Lower commodity prices can create opportunities

The continued crude oil and natural gas production out of North American shales is driving success for some companies in the downstream sector of the energy value chain, where lower commodity prices are a positive for many businesses. Petrochemical companies in particular are benefiting from low-cost feedstocks and the ability to export. Refiners also are beneficiaries of widening refining margins and lower crude oil prices as demand for refined products has increased. Meanwhile, renewable power companies also benefited in response to growing demand for renewable power generation

Capital markets underpin infrastructure build-out

Despite lower crude oil prices, capital markets remained open for exploration and production (E&P) companies during the quarter, which was a positive sign considering the market for upstream companies. Total E&P capital raised was approximately $20.0 billion, including $11.4 billion in equity, which is more raised than in any quarter in 2014. Several companies elected to issue equity and have successfully raised capital, underscoring investor appetite for energy and reflecting investors' continued support in helping E&P companies improve their balance sheets.

Spotlight: North American crude oil producers adapt to the current environment

Tortoise Talk **highlights new trends or developments in our nation's energy sector each quarter. In this issue, we take a look at how producers are adjusting to lower crude oil prices. They have found ways to increase efficiencies and lower costs to help offset the anticipated decline in production due to lower rig counts.**

Lower global crude oil and natural gas liquids (NGLs) prices during the second half of 2014 and into 2015 are driving oil producers to undertake measures that will enable them to remain profitable. With the price of oil hovering near $50 per barrel (bbl), down dramatically from last year's high of $108 per bbl, many producers have pulled back. At March 27, the U.S. rig count stood at 1,110, the lowest level in more than five years.[1]

Producers are negotiating lower production costs and are producing more efficiently. They are accomplishing this through several methods, such as redoubling efforts in the lowest-cost and most productive shales, including the Eagle Ford shale and the Permian Basin. They also are finding ways to get more oil out of existing wells, relying on emerging mathematical models and sensor technologies to find natural cracks that indicate where to fracture more effectively. Mapping these cracks also helps drillers determine how close they can drill additional wells without negatively affecting production in adjacent wells. Drilling multiple wells in a given space reduces production costs while increasing production in that area.

Another effective method for cost effectively continuing production is re-fracturing wells where quantities of crude oil remain. This remaining oil can be retrieved through additional fracturing or by injecting specifically tailored fluids. Re-fracturing can help maintain production levels, allowing oil and gas producers to recover more oil and gas from an existing well without the expense of new drilling. Though this method is not yet widely used, approximately 50,000 U.S. wells currently are candidates for re-fracturing.[2]

Another tactic some drillers are using is referred to as "banking the well." With millions of dollars already invested in drilling wells, these drillers are opting not to "turn on the spigot" on wells that have been drilled but are not yet producing crude oil until the pricing environment improves, effectively turning the wells into storage facilities. For drillers, this waiting game is a new twist on an old oil trading storage known as contango. In periods of oversupply, commodity traders would buy cheap crude oil, store it and then sell after prices rebounded. With drillers increasingly now "playing the contango," the backlog of uncompleted wells – aptly referred to as "the fracklog" – is growing. In North Dakota and Texas alone, there are more than 3,000 wells that have been drilled but not completed.[2]

[1]Baker Hughes, March 2015
[2]Halliburton, March 2015

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MLPs can persevere in a rising interest rate environment

April 23, 2015

The low interest rates that have been in place since the 2008 recession have helped midstream MLPs (master limited partnerships) and other pipeline companies raise capital economically, enabling returns that are significantly higher than their cost of capital. That in turn has supported cash distribution growth and contributed to higher total returns for investors. To that end, a strengthening U.S. economy has some investors anticipating higher rates and wondering what that could mean for their MLP investments (and to a lesser extent pipeline companies), given their attractive distribution rates. While MLPs typically fare better than other yield-oriented securities such as real estate investment trusts (REITs) and utilities during a rising interest rate environment, it is important to remember that they are not immune. Let's take a look at both the direct and indirect effects of rising rates on MLPs and pipeline companies.

Direct effects

The direct relationship is fairly simple as it reflects how increasing interest expenses can affect variable or floating rate debt held by companies. The key mitigating factor is that MLPs have historically been very conservative in terms of their debt structure. Midstream companies, including long-haul crude oil, refined product and natural gas pipeline companies generally utilize 70 to 100 percent fixed-rate debt, making their cash flow growth and longer-term performance less sensitive to higher rates. In short, we believe the direct impact of rising rates on midstream MLPs is minimal and in our view will not significantly hinder growth.

Indirect effects

The indirect effect of higher interest rates on MLPs relates to their impact on total return. There are three main factors that can provide a buffer to rising rates: excess coverage can allow for slightly lower returns on invested capital; focus on internal growth versus external growth; and ability to pass through inflation in tariff rates or benefit from increased demand.

First, it's important to distinguish the catalyst for rising rates – typically either rising inflation or an improving economy. Both have potential benefits for MLPs.

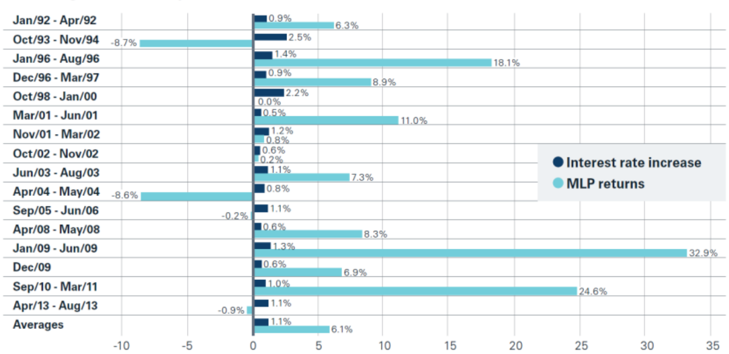
- A strengthening economy helps midstream MLPs and pipeline companies transporting energy because aggregate demand increases, likely driving increased volumes transported.
- If inflation is the catalyst, though in our view this is the less likely scenario at this time, some MLP and pipeline companies can pass through the rate as it relates to liquids pipelines, which receive tariff escalators tied to the producer price index (PPI) that would push up the rate side of the equation.

We believe both rising-rate catalysts could drive improved cash flow, which could offset an increase in rising equity and debt.

History as teacher

MLPs, like all distribution-paying entities, can experience some short-term volatility during periods of rising rates. However, MLP distribution growth has historically provided positive returns over the long term during these periods. MLPs and pipeline companies' combination of attractive yield and growth potential distinguishes them from other income-oriented investments. Unlike bonds and REITs, MLPs can grow their distributions, which can help drive total return. In 2013, midstream MLPs outperformed other yield-oriented asset classes, including REITs and utilities that were more restrained by rising rates. Historically, MLP prices have experienced short-term volatility when interest rates increased, followed by a rebound and solid long-term performance. The following table reflects our analysis of 16 different periods of 50 basis point or more increases in the 10-year Treasury since 1992. MLPs returned 6.1 percent on average during those periods, slightly trailing the 7.1 percent return posted by the S& P 500® index.

MLP long-term resiliency to interest rate increases



Periods shown are those where the U.S. 10-year government bond interest rate increased by at least 50 basis points over one or more consecutive months. Returns are period specific and are not annualized. Interest rate increase source: Bloomberg. MLP source: Atlantic Asset MLP Index (prior to 2000), Tortoise MLP Index (as of 1/1/2000). Tortoise MLP Index® is a float-adjusted, capitalization weighted index of energy master limited partnerships (MLPs). Atlantic Asset MLP Index is an unmanaged capitalization weighted index comprised of energy and energy infrastructure MLPs. This Index is no longer being calculated. It is not possible to invest directly in an index. S&P 500® index is an unmanaged market-value weighted index of stocks that is widely regarded as the standard for measuring large-cap U.S. stock market performance. **Past performance is no guarantee of future results.**

Looking ahead

Given the robust pace of infrastructure projects underway, midstream MLPs and pipeline companies' distributions/dividends have been steady, and the outlook for continued performance remains healthy. We anticipate more than $153 billion in MLP, pipeline and related growth projects through 2017 and that capital markets will continue to be supportive. We believe though these assets are not immune to rising interest rates, they remain an attractive long-term investment in both periods of economic growth and uncertainty. While higher rates are inevitable at some point, we believe that over the long term, quality growth will prevail.

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Fed Patience Likely to Continue Through Year End

April 2015

Authored by:
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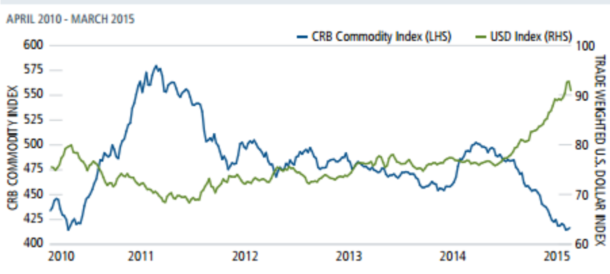
Entering the second quarter, we remain bullish on equities and particularly growth equities, globally. We believe the slowdown in U.S. job growth, generally lackluster U.S. economic data, low inflation, and a strong dollar will prompt the Federal Reserve to delay increasing short-term interest rates until late 2015, at the earliest. With the first U.S. short-term interest rate hike likely deferred, we expect the euro to stabilize versus the dollar. Similarly, energy and commodity prices could drift higher from here, following the inverse relationship between the dollar and commodities we've seen over the past year (Figure 1).

FIGURE 1. U.S. DOLLAR AND COMMODITIES: INVERSELY CORRELATED



Source: Federal Reserve Bank of St. Louis and Bloomberg.

With the Fed taking a patient approach, a stabilizing dollar, and bottoming energy prices, the decline in earnings estimates of the past few weeks should be nearing an end. Although U.S. GDP may only grow by 0.5–1.0% in the first quarter, we still anticipate 2.0–2.5% GDP growth for the year, as well as a resumption of 6–8% S&P 500 earnings growth in 2016. With earnings yields still far in excess of long-term borrowing costs, record M&A and buyback activity will likely continue, providing support to the equity market.

Globally, we expect GDP to expand by 2.0-2.5% for 2015. While economic conditions in Europe and Japan are not as strong in absolute terms as those in the U.S., a string of positive economic surprises has boosted sentiment, and we are seeing encouraging signs of economic inflection points. Valuations are attractive in both regions, as well, as measured by P/Es relative to forward revenue and earnings growth rates.

Market Review

During the first quarter, seesawing investor anxiety fueled volatility. In January and February, investors worried that a rapidly growing U.S. economy would speed the Fed's timeline for raising short-term rates. In March, investor fears shifted to a slowing U.S. economy and less robust corporate earnings.

Against this backdrop, the S&P 500 Index eked out a 1.0% return (Figure 2). Non-U.S. markets outperformed the U.S. as long-anticipated quantitative easing by the European Central Bank and other positive economic data buoyed sentiment, and the MSCI World ex-U.S. Index gained 4.0%. For the quarter, the U.S. dollar was strong as investors anticipated a rise in short-term rates. There was still money to be made in bonds, with the 10-year U.S. Treasury returning 2.6%.

As we have stated in past commentaries, we believe we have entered a growth regime, and performance during the quarter aligned with our view. In the U.S., growth stocks led value by 460 basis points, a spread not seen since the first quarter of 2009. Within the S&P 500 Index, health care and consumer discretionary led, while utilities, energy and industrials were among the laggards (Figure 3). Outside the U.S., growth stocks also led, albeit by a narrower margin.

U.S. Expansion Just Slowing,Not Stopping

Certainly, there are mounting indications that U.S. economic expansion is slowing, including March's disappointing jobs data, as well as weakness in manufacturing, durable goods, personal spending, housing starts, and exports. Although we believe oil prices can stabilize over the next few months as drilling contracts expire and capital spending cuts are implemented, certain industries and regions tied to the energy sector have started to feel near-term economic pain, which is contributing to overall economic weakness. More broadly across sectors, we expect corporate earnings growth will slow as a strong dollar makes overseas sales less profitable for U.S. multinationals.

However, we don't believe we are in any danger of a recession, with accommodative monetary policy providing a tailwind for the economy. The Fed can bide its time because inflation is not a problem. At 1.7%, the core yearover-year CPI is below the Fed's target of 2.0%, while Chair Yellen's preferred inflation measure, the core PCE Deflator, is even lower at 1.4% (Figure 4).

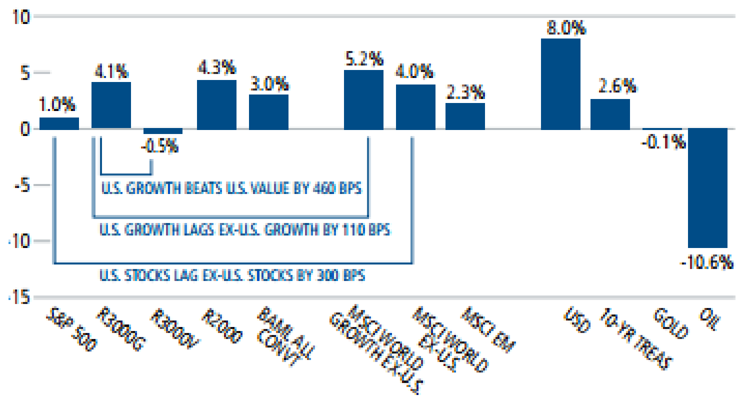
We expect that the yield of the 10-year U.S. Treasury may continue to fall, as the Fed's forbearance on short-term rates contributes to the stabilization of the dollar while the ECB's aggressive stimulus pushes yields lower in the euro zone (Figure 5).

Bullish on Equities

Despite our increased caution about the U.S. economy in the near term, the six-year bull market still has room to run. In addition to an accommodative Fed, the economy is benefiting from a "wealth effect" with equity market gains and rising home prices contributing to consumer confidence. Although a strong dollar may clip corporate profit growth, the market looks to have already priced in most of this impact. Earnings estimates have come down a bit—due in large measure to declines associated with the energy sector—but should resume solid year-over-year growth (Figure 6) by the time we enter 4Q 2015.

FIGURE 2. MARKET RESPONDED FAVORABLY TO FED'S PATIENCE IN 1Q

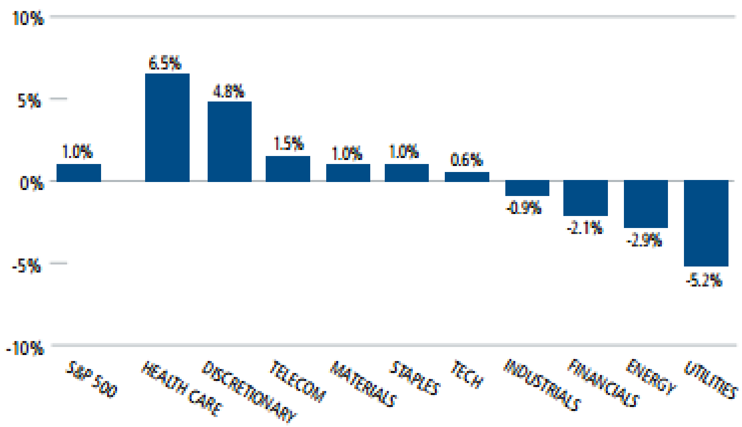
MARKET PERFORMANCE, YTD TOTAL RETURNS THROUGH 3/31/15



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

FIGURE 3. ROTATION TO GROWTH IN 1Q

S&P 500 SECTOR PERFORMANCE, TOTAL RETURNS, 2015 YTD THROUGH 3/31/15

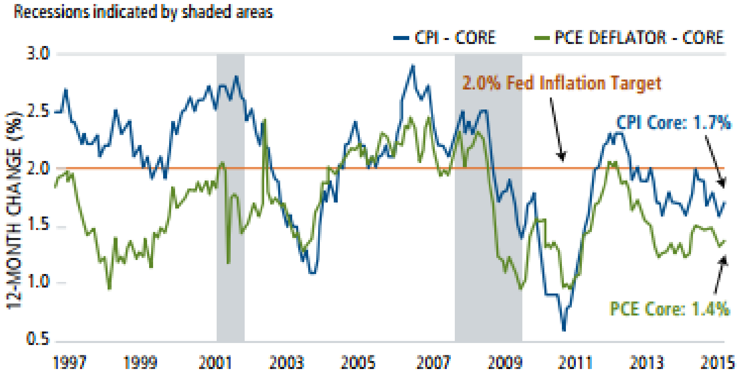


Past performance is no guarantee of future results. Source: Bloomberg.

FIGURE 4. LOW INFLATION GIVES FED REASON TO WAIT

CPI AND PCE DEFLATOR, 1997–FEB 2015

Recessions indicated by shaded areas

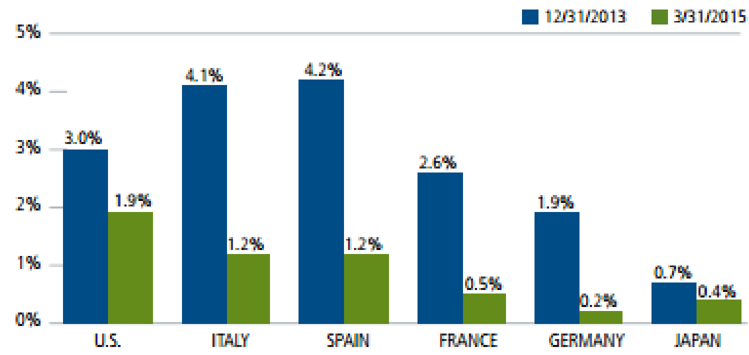


Source: Bureau of Labor Statistics and Federal Reserve Bank of St. Louis.

By our favored measures, equities' earnings yields remain extremely compelling relative to U.S. Treasury bonds and inflation. As measured by data since the 1950s, the current 390 basis point spread between S&P 500 earnings yields and Treasury yields places equity valuations in the cheapest quartile (Figure 7).

FIGURE 5. FALLING GLOBAL YIELDS DRIVE U.S. YIELDS DOWN

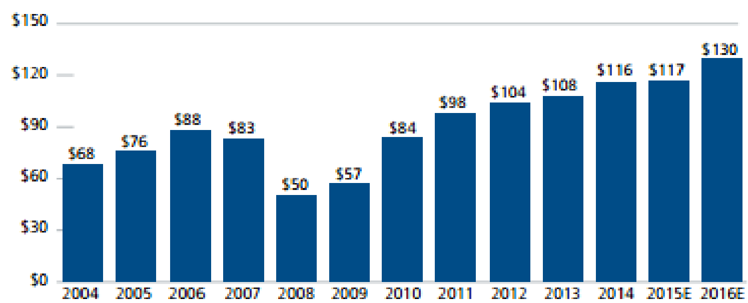
YIELDS OF 10-YEAR SOVEREIGNS



Source: Bloomberg.

FIGURE 6. U.S. CORPORATE EARNINGS SHOULD RESUME GROWTH BY YEAR END

S&P 500 EARNINGS, SUM OF 4 QUARTERS



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

We expect merger-and-acquisition and share buyback activity to remain robust as companies take advantage of low corporate borrowing costs and high earnings yields, and this activity can provide a floor to the equity markets during periods of volatility. We continue to see the prices of the acquiring company's stock rise, as well.

We remain especially bullish on growth stocks and believe they can perform well as earnings growth slows but remains solidly positive and corporate earnings continue to expand, even at a slower rate year over year. As the European Central Bank's quantitative easing takes hold, we expect long-term U.S. yields will continue to follow euro zone rates downward, and growth equities have performed well when long-term rates have been low. Indeed, we believe we are in a growth regime similar to 1995 to 1999. Then as now, we had a flattening yield curve (Figure 8) off a low base, narrow valuation spreads, high cash levels, low inflation, and high innovation and disruption.

Click here for complete reading

Goldilocks' Grandmother

May 2015

Authored by:
Dr. David Kelly, CFA
Managing Director
Chief Global Strategist
J.P. Morgan Funds

Some have described today's economic environment as a "Goldilocks" economy: not too hot and not too cold. However, in truth, the American economy of 2015 is more like Goldilocks' Grandmother: not too hot, not too cold… and not too fast. Demand appears to be growing at a mediocre pace but given supply constraints, it is still fast enough to lead to a further tightening of the labor market and thus to set the stage for interest rate increases starting in the next few months.

To some extent, the very weak 0.2% growth in first-quarter GDP has obscured this point – if demand growth is that weak, who needs to worry about supply? Moreover, numbers on international trade and inventories suggest that first-quarter growth could be revised into negative territory. However, apart from weather effects, GDP numbers are likely understating real economic momentum. The National Income and Product Accounts, from which GDP is calculated, is a somewhat imperfect and outdated system and we have multiple alternative ways of measuring the economy's momentum.

One method would be just to look at job growth. So far this year, job gains have averaged 194,000 per month, which represents an annual growth rate of 1.7%. This number, combined with trend productivity growth of close to 1%, suggests a roughly 2.5% advance in real GDP.[1]

Alternatively, federal tax collections provide a good check on estimates of economic growth. So far this fiscal year, (which started in October of 2014), income tax and FICA withholding from workers' paychecks is up about 6% yearover-year, far ahead of the 3.8% year-over-year nominal GDP growth reported by the Commerce Department for the fourth and first quarters combined. In addition, it appears that, after booking the always volatile April revenue numbers, the Federal Government is on track to record its lowest deficit since 2007, at roughly $440 billion, or 2.5% of GDP – which may go some of the way to allay increasingly unfounded fears of runaway debt.

Given all of this, there is little reason for investors to worry about U.S. economic growth stalling out. However, the supply side constraints on the U.S. economy are still very real. Some of this was evident in the April employment report, with the unemployment rate edging down to an almost seven year low of 5.4% and a further decline in those who reported working part-time for economic reasons.

There is other evidence of labor market tightness as well. The job openings and labor turnover report show that there were close to 5.0 million unfilled jobs in March, the second highest number since January 2001. This is a remarkably large number given that there are still 8.5 million workers who classify themselves as unemployed, and suggests a serious "skills mismatch" in the economy. Also, unemployment insurance rolls show both the level of continuing unemployment claims and the four-week moving average of initial claims are now at their lowest levels since 2000. While the official unemployment rate has not fallen this far yet, it is worth noting that those collecting unemployment benefits may be easier to re-employ than the 2.5 million people who have been unemployed for more than 26 weeks and are thus no longer eligible for benefits. If the Federal Reserve is looking for further evidence that we are running out of employable workers, these numbers should supply it.

In short, the U.S. economy is likely growing somewhat faster than suggested by GDP numbers and given limited growth in labor supply and productivity, it should still provide the labor market and inflation triggers necessary to justify a first Fed rate hike by September.

One last point is worth considering on the "Goldilocks' Grandmother" economy.

Recently, Fed Chair Janet Yellen ruffled a few feathers when, in response to a question from IMF chief Christine Lagarde about potential bubbles, she noted that "equity market valuations at this point are generally quite high". While the wire services ran the headline, it is worth emphasizing that she immediately qualified her remarks by saying that they are not so high "…when you compare the returns on equities to the returns on safe assets like bonds which are also very low…" We share this view in the short-run. Moreover, if, in the long-run we are headed for an economy with balanced but slower real growth of 2% per year (compared to 3% over the past 50 years), this would seem to imply both lower-than-average real bond yields and real earnings yields on stocks going forward.

This probably will not be enough too avoid some further correction in the bond market, since real yields remain extraordinarily low. However, for the stock market, moderately lower-than-average earnings yields imply moderately higher-than-average P/E ratios. This suggests that today's somewhat above average P/E ratios may be sustainable in the long-run even as future earnings growth is constrained and long-term rates rise. The world of Goldilocks' Grandmother is still a comfortable one for U.S. stocks.

Click here for complete reading

Income/slow rise blend strategy

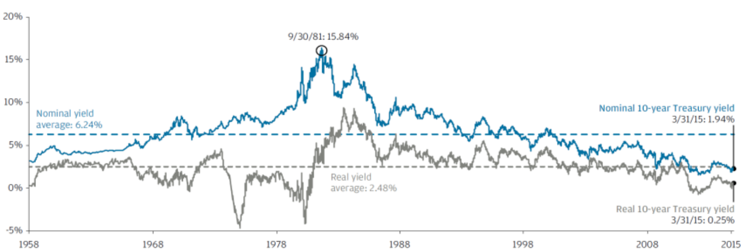
2Q 2015

The challenge: Investing for income today while positioning for future rate increases

Interest rates are still near their 60-year lows. Together, low rates and a gradually recovering economy create significant challenges for bond investors:

- Producing enough income when rates are low
- Protecting against possible losses as rates rise
- Identifying opportunities for price gains after a 30-year bull market for bonds

NOMINAL AND REAL 10-YEAR TREASURY YIELDS



Source: Federal Reserve, BLS, J.P. Morgan Asset Management. Data as of 3/31/15.
For illustrative purposes only. Past performance is not indicative of future returns. Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core inflation for that month except for March 2015, where real yields are calculated by subtracting out February 2014 year-over-year core inflation.

Strategic diversification may help generate income and hedge against future rate increases

The strategy is comprised of three individual mutual funds:

- JPMorgan Income Builder Fund
- JPMorgan Strategic Income Opportunities Fund
- JPMorgan Core Bond Fund

As a result, the strategy is broadly diversified within fixed income and across other income-generating asset classes. The fixed income portion of the strategy offers the potential for shorter duration and higher yield than the broad market proxy for bonds, the Barclays U.S. Aggregate Bond Index.

A flexible and diversified solution for slowly rising rate environments

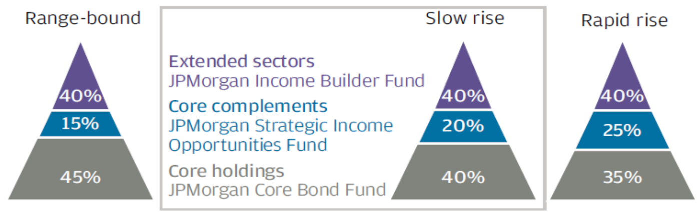
By investing in a broad range of income-generating securities, including stocks and securities outside the U.S., the income/slow rise blend strategy provides diversified exposure to each of the three sectors of "the fixed income triangle:"

- Core holdings are comprised of high-quality intermediate- and short-term bonds. They seek to lower overall portfolio volatility and add diversification to equities.
- Core complements aim to reduce correlation to core holdings and hedge against inflation.
- Extended sectors seek to increase income potential and total return by investing in high yield bonds as well as international and emerging markets. Through the JPMorgan Income Builder Fund, the strategy incorporates global equities, REITs, convertible bonds and preferred stocks. While these asset classes may, individually, be more volatile than some fixed income sectors, the strategy's overall diversification, yield and potential for capital gains may be enhanced.

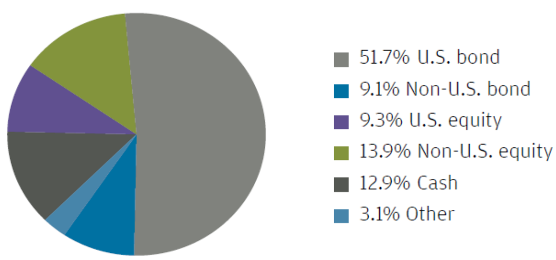
The fixed income component of the strategy is diversified across the spectrum of credit qualities. As a result, it provides income potential from higher yielding, lower credit quality bonds whose prices are generally less susceptible to rate increases. At the same time, the strategy reduces credit risk through exposure to higher-rated bonds.

Allocations can be adjusted based on anticipated rate environment

FUND ALLOCATIONS BY INTEREST RATE ENVIRONMENT



ASSET ALLOCATION OF INCOME/SLOW RISE BLEND STRATEGY[1, 3]



Income/slow rise blend strategy offers exposure to both investment grade and non investment grade bonds

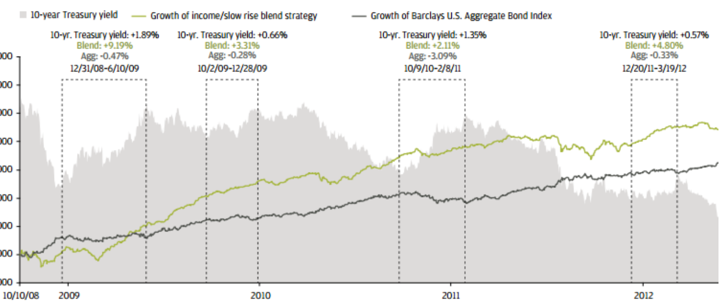
FIXED INCOME CREDIT QUALITY

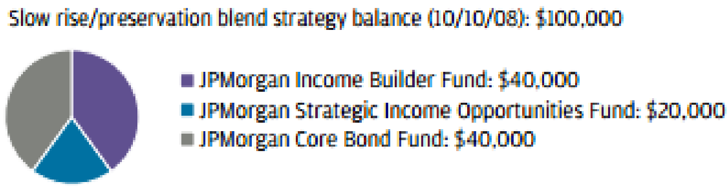
Credit quality (%) as of 3/31/15[2, 3]	AAA	AA	A	BBB	BB	B	Below B/Other
JPMorgan Income Builder Fund	1.40	0.00	0.41	16.57	33.04	31.41	17.17
JPMorgan Strategic Income Opportunities Fund	37.90	0.80	2.90	1.80	14.30	25.00	17.20
JPMorgan Core Bond Fund	70.70	4.50	10.00	8.60	0.60	0.50	5.10
Income/slow rise blend strategy	46.32	2.51	5.97	8.69	11.59	13.91	10.99

The credit qualities shown are calculated using a weighted average (40%/20%/40%) of the credit qualities for the three funds cited and reflect only the fixed income portion of the JPMorgan Income Builder Fund.

The income/slow rise blend strategy may hedge against possible losses as rates rise

TREASURY RATES AND GROWTH OF $100,000, 10/10/08 – 12/31/14 (SELECT SHARES AT NAV)[4]

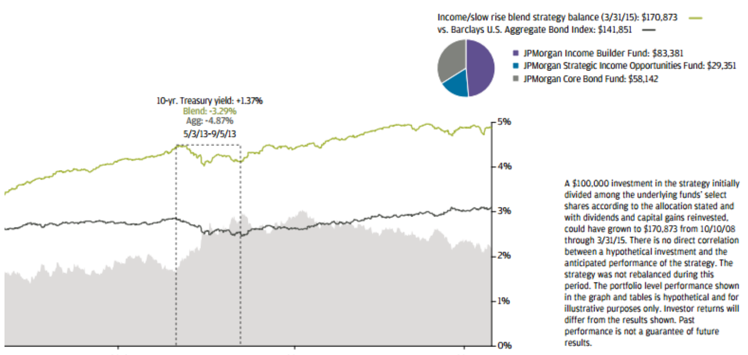




Income investing with the potential for less sensitivity to interest rates

Duration is an important metric for fixed income investors because it measures the sensitivity of a bond's price to changes in interest rates. For example, if two bonds are otherwise identical but bond A has a shorter duration (e.g., it may return principal sooner) than bond B, a rise in interest rates will impact the price of bond B more than that of bond A. The strategy's shorter duration may help investors better weather the impact of rising rates.

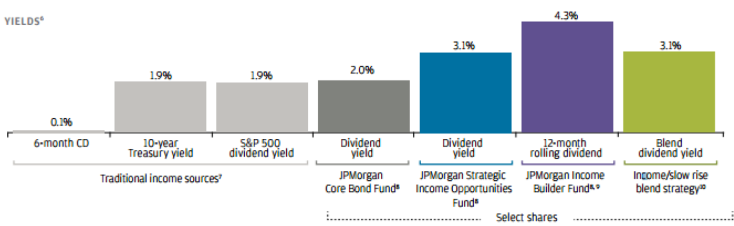
FIXED INCOME DURATION[4, 5]



A $100,000 investment in the strategy initially divided among the underlying funds' select shares according to the allocation stated and with dividends and capital gains reinvested, could have grown to $170,873 from 10/10/08 through 3/31/15. There is no direct correlation between a hypothetical investment and the anticipated performance of the strategy. The strategy was not rebalanced during this period. The portfolio level performance shown in the graph and tables is hypothetical and for illustrative purposes only. Investor returns will differ from the results shown. Past performance is not a guarantee of future results.

A diversified solution that may provide higher yields than traditional income sources The income/slow rise blend strategy is positioned to generate higher income than the more traditional sources investors have generally relied upon, such as CDs and Treasuries. This income can be especially valuable in a rising rate environment because it can help offset capital losses.

YIELDS[6]



PERFORMANCE AT NAV[11]

Select shares (%) as of 3/31/15	1Q15	1 year	3 years	5 years	10/10/08[12]	10 years	Since inception[13]
JPMorgan Income Builder Fund	2.39	3.96	8.38	8.36	12.02		5.98
MSCI World Index	*2.31*	*6.03*	*12.19*	*10.01*	*12.92*	*6.39*	*3.10*
JPMorgan Strategic Income Opportunities Fund	0.72	0.10	3.05	3.11	6.11		6.11
Barclays U.S. Universal Index	*1.73*	*5.33*	*3.49*	*4.75*	*6.10*	*5.15*	*6.10*
JPMorgan Core Bond Fund	1.53	5.07	3.00	4.50	5.95	5.20	6.53
Barclays U.S. Aggregate Bond Index	*1.61*	*5.72*	*3.10*	*4.41*	*5.55*	*4.93*	*6.33*
Income/slow rise blend strategy	**1.81**	**3.65**	**5.50**	**6.01**	**8.63**		**8.63**
Barclays U.S. Aggregate Bond Index	*1.61*	*5.72*	*3.10*	*4.41*	*5.55*	*4.93*	*5.55*

The performance quoted is past performance and is not a guarantee of future results. Mutual funds are subject to certain market risks. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data shown. For performance current to the most recent month-end, please call 1-800-480-4111.

EXPENSE RATIO[11, 14]

Select shares (%) as of 3/31/15	Expense cap expiration date	Expense cap (%)	Total annual operating expenses (%)	Fee waivers and/or expense reimbursements (%)	Net expense ratio
JPMorgan Income Builder Fund	2/29/16	0.60	0.87	0.27	0.60
JPMorgan Strategic Income Opportunities Fund	6/30/15	0.75	0.97	0.10	0.87
JPMorgan Core Bond Fund	11/30/15	0.58	0.72	0.14	0.58
Income/slow rise blend strategy	**N/A**	**N/A**	**N/A**	**N/A**	**0.65[15]**

SEC YIELDS[11]

Select shares (%) as of 3/31/15	30-day SEC yield	30-day SEC yield (unsubsidized)
JPMorgan Income Builder Fund	3.60	3.25
JPMorgan Strategic Income Opportunities Fund	2.63	2.45
JPMorgan Core Bond Fund	1.86	1.72
Income/slow rise blend strategy	**2.71**	**2.48**

The portfolio level performance shown in the graph and tables is hypothetical and for illustrative purposes only. Investor returns will differ from the results shown. The hypothetical blend strategy was not rebalanced during this period.

TICKERS: A | C | SELECT

JPMorgan Income Builder Fund
JNBAX | JNBCX | JNBSX

JPMorgan Strategic Income Opportunities Fund
JSOAX | JSOCX | JSOSX

JPMorgan Core Bond Fund
PGBOX | OBOCX | WOBDX

1 Due to rounding, values may not total 100%. Asset allocation of the income/slow rise blend strategy is calculated using a weighted average (40%/20%/40%) of the three funds cited above.
2 The manager receives credit quality ratings on underlying securities of the portfolio from the three major ratings agencies — S&P, Moody's and Fitch. For JPMorgan Income Builder Fund and JPMorgan Core Bond Fund, when calculating the credit quality breakdown, the manager selects the middle rating of the agencies when all three agencies rate a security. For JPMorgan Strategic Income Opportunities Fund, when calculating the credit quality breakdown, the manager selects the lowest rating of the agencies when all three agencies rate a security. The manager will use the lower of the two ratings if only two agencies rate a security and will use one rating if that is all that is provided. Securities that are not rated by all three agencies are reflected as such. Due to rounding, values may not total 100%.
3 Source: J.P. Morgan Asset Management. Asset allocation data as of 2/28/15. Credit quality data as of 3/31/15.
4 Source: J.P. Morgan Asset Management. Data as of 3/31/15.
5 The duration for the income/slow rise blend strategy is calculated using a weighted average (40%/20%/40%) of the durations for the three funds cited above and reflects only the fixed income portion of the JPMorgan Income Builder Fund.
6 Must be preceded or accompanied by the applicable prospectuses.
7 Sources: Bankrate, Federal Reserve, U.S. Treasury, Standard & Poor's, FactSet. Dividend yields are bottom-up values defined as the annualized value of the most recent cash dividend as a percent of month-end price. Data as of 3/31/15 for 6-month CD, 10-year Treasury and S&P 500 yields.
8 Source: J.P. Morgan Asset Management. Data as of 3/31/15.
9 Select Class Shares 12-month rolling yields are calculated by dividing the dividend per share by the NAV per share on the day of the distribution. 12-month rolling yields represent the sum of the monthly dividend yields for the previous 12 months.
10 The dividend yield for the income/slow rise blend strategy is calculated using a weighted average (40%/20%/40%) of the dividend yields for the three funds cited above. Note that the JPMorgan Income Builder Fund reports 12-month rolling dividends. Data as of 3/31/15.
11 Source: J.P. Morgan Asset Management. Data as of 3/31/15.
12 Inception date for JPMorgan Strategic Income Opportunities Fund.
13 Returns since inception for each fund's benchmark are since the inception of their corresponding fund. Inception dates are 5/31/07 for JPMorgan Income Builder Fund
(Select), 10/10/08 for JPMorgan Strategic Income Opportunities Fund (Select) and 6/1/91 for JPMorgan Core Bond Fund (Select).
14 The Investment Advisor, Administrator and Distributor (the "Service Providers") have contractually agreed to waive fees and/or reimburse expenses to the extent that total
annual operating expenses (excluding acquired fund fees and expenses, dividend expenses relating to short sales, interest, taxes and extraordinary expenses and expenses related to the Board of Trustees' deferred compensation plan) exceed the expense cap of the average daily net assets through the expense cap expiration date. This contract continues through that date, at which time the Service Providers will determine whether or not to renew or revise it.
15 The net expense ratio for the income/slow rise blend strategy is calculated using a weighted average (40%/20%/40%) of the net expense ratios for the three funds cited above.

Click here for complete reading

Diversified U.S. equity blend

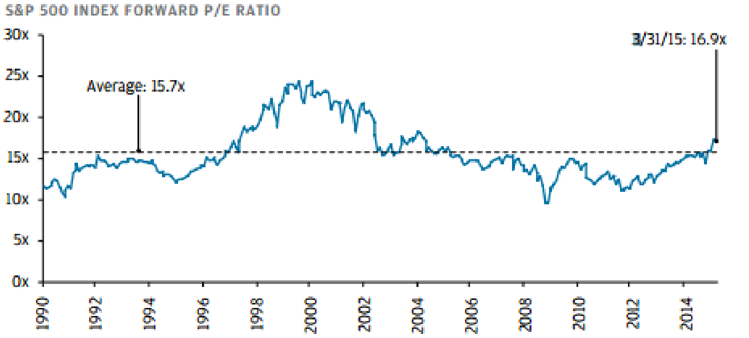
2Q 2015

Access opportunity through diversification and flexibility

Successfully investing in U.S. equity markets today requires more than passive participation. Markets have gained back all of the ground lost since the great recession — and then some. As a result, experienced, research-driven active management and broad diversification are needed to identify and access industry sectors, market segments and specific companies poised for continued growth.

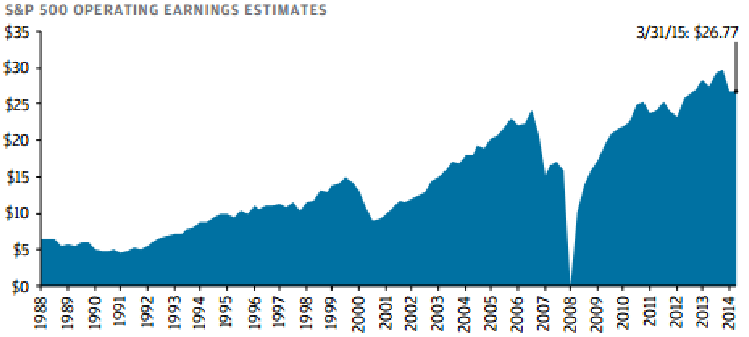
Equity valuations hover around their historic averages, while earnings have improved

S&P 500 INDEX FORWARD P/E RATIO



The forward price-to-earnings ratio measures how much investors pay for each dollar of expected earnings, and is composed of share price divided by consensus analyst estimates of earnings per share for the next twelve months. A low P/E suggests stocks are cheap relative to their history.

S&P 500 OPERATING EARNINGS ESTIMATES



Source: Standard & Poor's, IBES, J.P. Morgan Asset Management. Data as of 3/31/15.

RESEARCH-DRIVEN ACTIVE MANAGEMENT ADDS VALUE

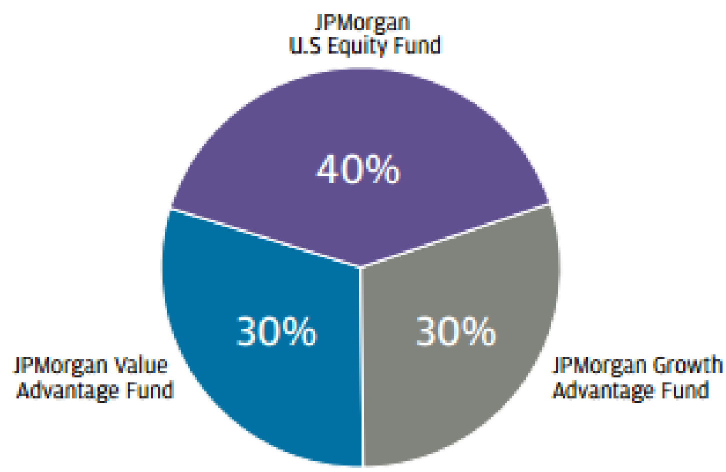
While a recovering economy, increased stability and improving sentiment may support higher equity markets overall, a research-driven approach to active management combined with a flexible investment mandate can help identify and capture the best opportunities within these markets. The diversified U.S. equity blend combines three J.P. Morgan funds to provide broad and flexible exposure to U.S. stocks.

Seeking consistent outperformance across market cycles

The last nine years have proven to be an ideal time to evaluate fund managers. The period started and ended with gains, but saw a steep decline in between. Not only did the diversified U.S. equity blend outperform the S&P 500 since March 1, 2005 (the inception date of the JPMorgan Value Advantage Fund), but it also outperformed the index in each of the 62 rolling five-year periods over this same timeframe.

Diversified across value, core and growth styles

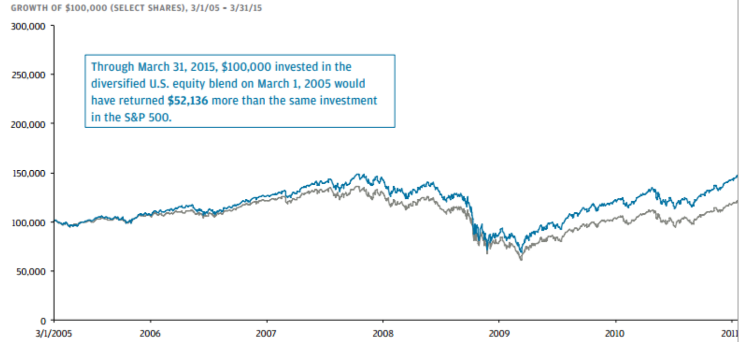
BLEND COMPOSITION BY FUND [SELECT SHARES]



This chart is for illustrative purposes only.

Seeking outperformance over the long term

GROWTH OF $100,000 (SELECT SHARES), 3/1/05 - 3/31/15

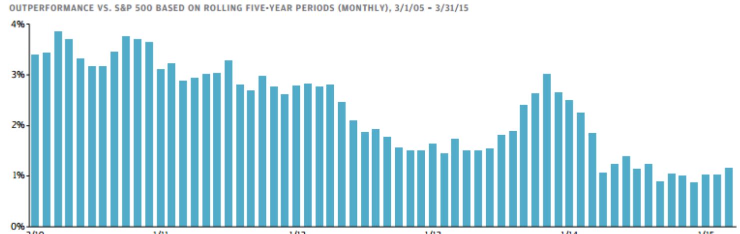


Source: J.P. Morgan Asset Management.

A $100,000 investment in the strategy initially divided among the underlying funds' Select shares according to the allocation stated and rebalanced annually, with dividends and capital gains reinvested, could have grown to $264,409 from 3/1/05 through 3/31/15. There is no direct correlation between a hypothetical investment and the anticipated performance of the strategy. ***The portfolio level performance shown in the graph and tables is hypothetical and for illustrative purposes only. Investor returns will differ from the results shown. Past performance is not indicative of comparable future results.***

The diversified U.S. equity blend has consistently outperformed over rolling five-year periods

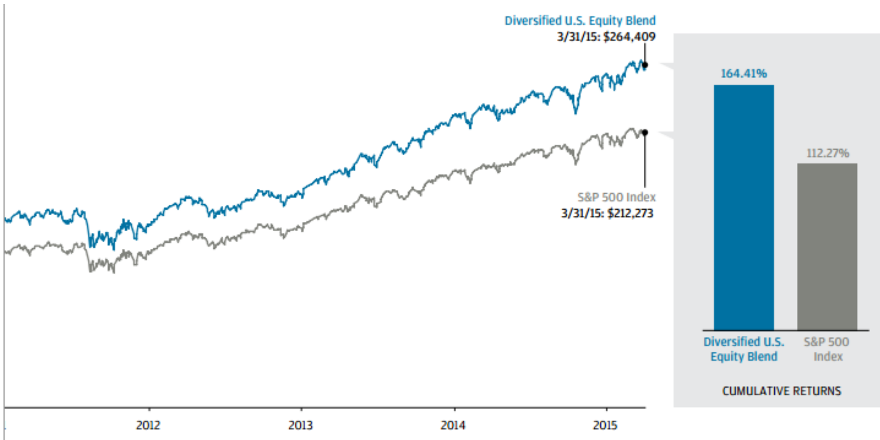
OUTPERFORMANCE VS. S&P 500 BASED ON ROLLING FIVE-YEAR PERIODS (MONTHLY), 3/1/05 - 3/31/15



Source: J.P. Morgan Asset Management.

Five-year rolling returns represent the annualized return over the prior five-year period, advancing monthly. The chart shows the difference between the J.P. Morgan blend's monthly five-year rolling returns and those of the S&P 500.

The J.P. Morgan blend is an illustrative and hypothetical portfolio comprised of three J.P. Morgan funds (Select shares) and rebalanced annually. The hypothetical return reflects the historical performance of the underlying funds that could have occurred and assumes the reinvestment of all dividends and capital gains. Investor returns will differ from results shown. Sales charges and capital gains or other taxes are not factored into the rebalancing. The chart below plots the approximate market value of the security or portfolio over the investing horizon. The investment returns do not reflect active trading and do not necessarily reflect the results that might have been achieved by active management of the account. Standardized performance and fee information is found on page 5. *Past performance is not indicative of comparable future results.*



The S&P 500 is an index of large-cap U.S. equities. Although the diversified U.S. equity blend is comprised mostly of large-cap stocks, it also has some exposure to small- and mid-cap stocks. This may impact performance and volatility.

PERFORMANCE AT NAV[1]

Select shares (%) as of 3/31/15	1Q15	1 years	3 years	5 years	10 years
JPMorgan Value Advantage Fund	1.51	11.19	17.46	15.28	10.25
Russell 3000 Value Index	-0.51	8.94	16.30	13.66	7.24
Excess return	*2.02*	*2.25*	*1.16*	*1.62*	*3.01*
JPMorgan U.S. Equity Fund	1.74	13.73	17.15	14.50	9.41
S&P 500 Index	0.95	12.73	16.11	14.47	8.01
Excess return	*0.79*	*1.00*	*1.04*	*0.03*	*1.40*
JPMorgan Growth Advantage Fund	6.09	16.17	17.77	17.36	3.64[2]
Russell 3000 Growth Index	4.05	15.76	16.45	15.71	3.63
Excess return	*2.04*	*0.41*	*1.32*	*1.65*	*0.01*
Diversified U.S. equity blend[3]	**2.98**	**13.71**	**17.45**	**15.62**	**10.37**
S&P 500 Index	**0.95**	**12.73**	**16.11**	**14.47**	**8.01**
Excess return	***2.03***	***0.98***	***1.34***	***1.15***	***2.36***

The performance quoted is past performance and is not a guarantee of future results. Mutual funds are subject to certain market risks. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data shown. For performance current to the most recent month-end, please call 1-800-480-4111.

EXPENSE RATIO[4]

Select shares (%) as of 3/31/15	Expense cap expiration date	Expense cap (%)	Total annual operating expenses (%)	Fee waivers and/or expense reimbursements (%)	Net expense ratio
JPMorgan Value Advantage Fund	10/31/2015	1.00	1.06	0.04	1.02
JPMorgan U.S. Equity Fund	10/31/2015	0.76	0.78	0.02	0.76
JPMorgan Growth Advantage Fund	10/31/2015	1.10	1.07	0.00	1.07
Diversified U.S. equity blend	**N/A**	**N/A**	**N/A**	**N/A**	**0.93[5]**

JPMorgan Value Advantage Fund

A | C | SELECT: JVAAX | JVACX | JVASX

MORNINGSTAR RATING: ★★★★★

For Select shares as of 3/31/15. Morningstar overall rating 5 stars, Class S; Large Value Category; 1,125 funds. Three-year rating 5 stars; 1,125 funds. Five-year rating 5 stars; 991 funds. Ten-year rating 5 stars; 689 funds. Ratings reflect risk-adjusted performance. Data as of 3/31/15.

PORTFOLIO MANAGERS, INDUSTRY EXPERIENCE

- Jonathan Simon, 35 years
- Lawrence Playford, 22 years
- Gloria Fu, 20 years

FUND HIGHLIGHTS

- Provides flexibility for managers to find the most attractive value stocks across all market capitalizations
- Experienced portfolio managers and career research analysts utilize a bottom-up approach to identify undervalued companies with durable franchises and improving cash flows
- A flexible approach that has outperformed in both bull and bear markets

JPMorgan U.S. Equity Fund

A | C | SELECT: JUEAX | JUECX | JUESX

MORNINGSTAR RATING: ★★★★★

For Select shares as of 3/31/15. Morningstar overall rating 5 stars, Class S; Large Blend Category; 1,333 funds. Three-year rating 5 stars; 1,333 funds. Five-year rating 4 stars; 1,184 funds. Ten-year rating 5 stars; 808 funds. Ratings reflect risk-adjusted performance. Data as of 3/31/15.

PORTFOLIO MANAGERS, INDUSTRY EXPERIENCE

- Thomas Luddy, 39 years
- Susan Bao, 18 years
- Helge Skibeli, 29 years
- Scott Davis, 18 years

FUND HIGHLIGHTS

- Seeks to outperform the benchmark in both up and down markets, with comparable risk
- Forecasts company earnings over as long as five years to better assess real, sustainable growth potential
- Uses multiple managers with diverse perspectives to capture more of our strongest convictions
- May be well-suited for investors seeking a strong portfolio foundation and alternative to index funds

JPMorgan Growth Advantage Fund

A | C | SELECT: VHIAX | JGACX | JGASX

MORNINGSTAR RATING: ★★★★★

For Select shares as of 3/31/15. Morningstar overall rating 5 stars, Class S; Large Growth Category; 1,551 funds. Three-year rating 5 stars; 1,551 funds. Five-year rating 5 stars; 1,328 funds. Ten-year period not yet rated. Data as of 3/31/15.

PORTFOLIO MANAGER, INDUSTRY EXPERIENCE

- Timothy Parton, 29 years

FUND HIGHLIGHTS

- Provides flexibility to invest in the team's best ideas among high-quality growth companies – regardless of market capitalization
- Employs a process that combines research, valuation and stock selection to identify companies that have a history of, or potential for, above-average growth
- Complements value-style managers for added diversification potential

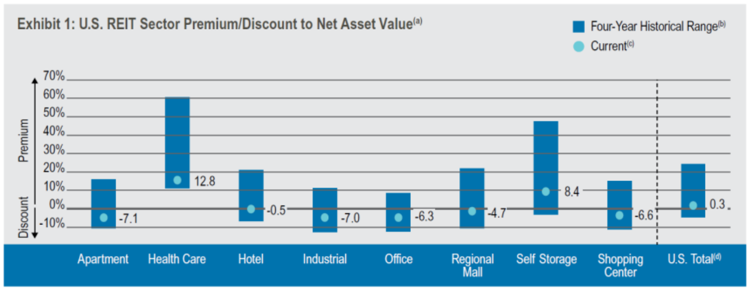
There can be no assurance that the professionals currently employed by JPMAM will continue to be employed by JPMAM or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.

1 Source: Morningstar, J.P. Morgan Asset Management. Performance and other data are rounded to two decimal places. Data as of 3/31/15.
2 The quoted 10-year performance of the JPMorgan Growth Advantage Fund includes performance of a predecessor fund/share class prior to the Fund's commencement of operations. Please refer to the current prospectus for further information.
3 Hypothetical performance.
4 The Investment Advisor, Administrator and Distributor (the "Service Providers") have contractually agreed to waive fees and/or reimburse expenses to the extent that the total annual operating expenses (excluding acquired fund fees and expenses, dividend expenses relating to short sales, interest, taxes and extraordinary expenses and
expenses related to the Board of Trustees deferred compensation plan) exceed the expense cap of the average daily net assets through the expense cap expiration date. This contract continues through that date, at which time the Service Providers will determine whether or not to renew or revise it.
5 The net expense ratio for the blend is calculated by using a weighted average (30%, 40%, 30%) of the net expense ratios for the three funds cited above.

U.S. REIT Valuations Are Attractive

May 2015

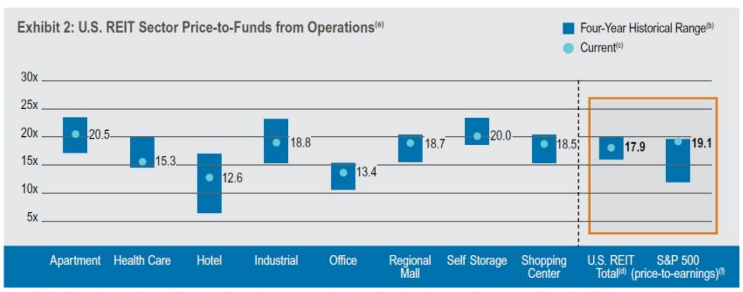
U.S. REIT valuations are at attractive levels relative to their four-year range, as seen in the first chart. In the second chart, we show that REIT prices are near the middle of the four-year range relative to cash flows, while the broader stock market's prices relative to earnings are at their highest levels during this period. We believe this represents a compelling opportunity for REIT investors.



At April 30, 2015. Source: Cohen & Steers estimates based on proprietary qualitative and quantitative metrics. Only major REIT sectors are shown individually.

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

Many U.S. REITs can currently be purchased at prices that are close to or below their underlying asset values compared with the higher premiums typically seen in the past four years.



At April 30, 2015. Source: Cohen & Steers estimates based on proprietary qualitative and quantitative metrics. Only major REIT sectors are shown individually.

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

Many U.S. REITs are priced at the middle-end of the four-year range versus earnings... broad stocks, represented by the S&P 500, are priced at historical highs.

The Added Value of Active Portfolio Management

We believe that investing in U.S. REITs with an experienced active manager offers several important advantages over passively managed investments such as exchange-traded funds (ETFs). Here are a few reasons why:

Different REITs are better suited for different phases of an economic cycle. Certain types of REITs tend to be more cyclical, while others have more "bond-like" cash flows. This depends largely on the duration of their leases, which can range from a single day (hotels) to a decade or more (hospitals). An active manager can adjust a portfolio's allocation depending on their economic outlook in an effort to enhance absolute returns over full market cycles.

Flexibility among market capitalizations. ETFs are typically weighted by market cap, meaning that large-cap REITs will dominate the portfolio's holdings. By contrast, an active manager can increase allocations to select small-cap REITs that may offer greater growth potential.

Finding opportunities through fundamental company analysis. An active manager may conduct extensive research of each company, evaluating its management team, its acquisition and development strategy, the quality of its properties, and the strength of its balance sheet, using these inputs to assess the stock's value relative to its peers.

Cohen & Steers' actively managed U.S. REIT solutions

Open-End Mutual Funds	
Cohen & Steers Realty Shares	CSRSX—no load
Cohen & Steers Real Estate Securities Fund	CSEIX—Class A CSCIX—Class C CSDIX—Class I CIRRX—Class R CSZIX—Class Z
Cohen & Steers Institutional Realty Shares	CSRIX—Institutional

Cohen & Steers open-end funds are distributed by Cohen & Steers Securities, LLC.

Click here for complete reading

The India Fund, Inc. (IFN)

March 31, 2015

Fund Overview

- Indian equities fell in March as current business sentiment sagged to an 11-month low. Meanwhile, tensions in the Middle East and speculation over the path of U.S. interest rates heightened global risk-aversion.
- The Reserve Bank of India announced the year's second 25-basis-point (0.25%) interest rate cut, in another unscheduled meeting.
- Encouragingly, in our view, the opposition-controlled upper house passed both the long-delayed law to raise the limit on foreign ownership of life insurance companies, and the coal bill. The latter allows the auction of coal-block licenses previously cancelled by the Supreme Court. However, the fate of the land acquisition bill remains in the balance, even though it was approved by the lower house.
- In Fund-related news, Fund holding Sun Pharmaceutical Industries completed its US$4 billion merger with Ranbaxy Laboratories. The company estimates that the integration could add value amounting to US$250 million over the next three years.
- The telecoms spectrum auction raised US$18 billion for the government, exceeding expectations. The top three operators, including Bharti Airtel, spent a total of US$13.6 billion, buying up 80% of the available spectrum.
- Possibly in response to the passage of the life insurance bill, in our view, ICICI Bank is selling a 5% stake in its life insurance subsidiary, with an eye on a potential listing.

Asian Market Overview

Asian equities posted mixed U.S.-dollar returns in March, with key markets diverging against a backdrop of continued loose monetary policy, still-muted economic data and escalating tensions in the Middle East. Chinese and Hong Kong markets rose as Beijing indicated it was open to further stimulus, given the dimmer economic outlook. In particular, speculative activity drove sharp gains in Chinese A-shares, after a relaxation in guidelines that will allow Hong Kong investors to sell A-shares without delivering them to their broker first. This standardizes how trades are executed in both the A-share market and Hong Kong, addressing investors' concerns. Other markets gained as the Federal Reserve (Fed) hinted at a more gradual pace of interest-rate hikes because of uncertainty over the improvement in employment data as well as the U.S. dollar's strength, which was felt across most currencies worldwide.

Conversely, the Australian market lagged as economic prospects deteriorated. India lost ground, despite the central bank's rate cut, as earnings recovery has yet to come through and companies tempered their outlooks. Tensions in Yemen also stoked fears over oil supply disruptions, given that the country imports three-quarters of its oil needs.

On a more positive note, we were encouraged by the quickening pace of reforms in India. The upper house of parliament – where the ruling party lacks a majority – passed a long-delayed bill to raise the foreign ownership limit in life insurance companies from 26% to 49%. Lawmakers also approved a bill allowing the auction of coal-block licenses that had been cancelled by the Supreme Court previously. This could pave the way for the commercial mining of coal and help boost supply to the domestic power sector. Indonesia plans to extend the scope of tax incentives to export focused manufacturers and companies that reinvest their profits domestically to cap liquidity outflows and aid growth.

Familiar concerns remain. In China, the effects of the slowdown are reverberating through the corporate sector and deflationary threats are rising. Given Beijing's anti-corruption crackdown and caution surrounding new infrastructure projects, growth is unlikely to pick up. However, the government's initiative to better connect China to other countries along the Silk Road could help revive the economy. Reforms being rolled out across the region also offer some optimism, although implementation could be drawn out and tense. Thus, short-term policy measures will likely dictate market direction. Meanwhile, we should see further divergence as central banks everywhere, including China, Japan and Europe, appear to be more accommodative, except in the U.S. Yet, the normalization of Fed policy is based on the assumption of a sustainable U.S. recovery, which should bode well for export-led economies in Asia. That said, the region still boasts some of the world's fastest-growing countries, despite slower expansion. Policymakers have tried to fix structural weaknesses and the region

Aberdeen India Fund, Inc.
Top 10 Holdings*

Holding	%
Housing Development Finance Corporation	10.0
Infosys	7.6
Tata Consultancy Services	7.0
Bosch Ltd.	5.5
ICICI Bank	5.5
UltraTech Cement	4.7
Ambuja Cements	4.6
Hindustan Unilever	4.5
ITC	4.2
Container Corp of India Ltd.	3.9
Total	**57.5**

* As of March 31, 2015. Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown. The top 10 holdings are reported by share class. Certain companies listed may be held in additional share classes not listed above.

seems better able to withstand short-term fund outflows. At the corporate level, there are few signs of an earnings recovery, but companies are making progress in cutting costs to operate more efficiently. We remain confident in the region's prospects, given favorable demographics and the anticipated improvement in corporate profitability.

Corporate news

Australia: We are studying the details of mining giant BHP Billiton's proposal to spin off South32. We feel the move could help unlock value and allow the miner to focus on its core businesses. About a third of BHP's current operations will be injected into the new entity, including coal assets in South Africa and silver in Australia, and it is likely to become one of the world's top mining groups. But it may also take on US$674 million in debt and US$1.5 billion of provisions for mineclosure expenses. Ultimately, BHP could save about US$100 million a year in costs. If the deal is approved, investors will receive one South32 share for each BHP stock. Shareholders, including Aberdeen, are expected to vote on the proposal on May 6th.

China/Hong Kong: In earnings news, Jardine Strategic met expectations as good results from both its property and smaller units offset weakness in its retail and Indonesian businesses. Swire Pacific's profits were driven by contributions from Swire Properties, which benefited from the resilience of its Hong Kong rental portfolio and higher property development sales; as well as from improved performance in its aviation unit. In comparison, operating profits at PetroChina's exploration and production segment fell on the back of the weaker oil price. On a positive note, cost cuts started to bear fruit and losses in the chemicals segment narrowed. Lender Standard Chartered's profits weakened amid further write-downs, margin pressure and increased regulatory costs. The bank will continue to trim costs, beef up its capital base and target a return-on-equity ratio of 10% in the medium term. Unprofitable client relationships and businesses will also be axed.

ASM Pacific Technology's lower profits were partly due to a one-time tax provision, even though margins rose across segments. China Mobile's earnings were partly hurt by the implementation of value-added tax last June. However, management expects profits to improve this year, when the bulk of its 4G infrastructure will be completed.

Japan: We welcome robot maker Fanuc's plan to better engage investors by setting up a shareholder relations department, something that management is just starting to focus on. The decision was made in the wake of the government's new corporate governance rules. Furthermore, the company is considering returning more cash to shareholders from its ample reserves. Toyota Motor appointed Didier Leroy as its first foreign vice president. The company also named its first female executive in a push to diversify senior management. In addition, executives from its core auto parts subsidiaries were given key leadership roles at the parent to spearhead the overhaul of its engine and transmission businesses.

Malaysia: Public Bank received approval to buy the remaining 50% of VID Public Bank, its profitable joint venture with the Vietnamese government, for M$245 million.

Singapore: ST Engineering's aerospace division formed a joint venture with Japan's Tenryu Holdings to specialize in the design and manufacture of aircraft seats, in line with its bid to move up the value chain and offer one-stop solutions.

We could see Asian interest rates fall further this year. Central banks appear keen to act amid fears that disinflationary pressures may become entrenched in the face of weaker commodity prices and sluggish demand, unlike the Fed, which looks set to hike rates. However, with household debt creeping higher in Asia, it is uncertain if easier monetary policy will boost competitiveness and spur a new cycle of consumption and investment that policymakers are hoping for.

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

March 31, 2015

Economic & market overview

Most Asian local currency bonds and currencies weakened but U.S. dollar corporate bonds posted modest gains in March. The policy tone remained supportive, with rate cuts in India, Korea and Thailand. China signaled it was open to further stimulus after lowering the gross domestic product (GDP) target to 7% from 7.5%, as economic data remained mixed. Elsewhere, U.S. Federal Reserve (the Fed) chairman Janet Yellen retreated to a more dovish stance, given the strengthening U.S. dollar. In Europe, quantitative easing got underway, weighing down the weak euro further.

Indonesian local currency bonds sold off the most, as the depreciating rupiah deterred foreign buyers. Chinese bonds lagged on the back of flows into equity markets and the larger-than-expected issuance size of Jiangsu province's municipal bond. The Philippine central bank held policy unchanged, against expectations of a cut in the reserve requirement ratio, dampening the bond market.

Singapore bonds continued to underperform against U.S. Treasuries amid tightening liquidity, as the Monetary Authority of Singapore defended the bottom of the Singapore dollar nominal effective exchange rate band. In India, the central bank cited the still-weak economic conditions, continuing disinflationary pressures and an improvement in the quality of the budget for its unexpected rate cut between policy meetings. Domestic bonds underperformed though, led by short-term debt, amid thinning liquidity towards the fiscal year-end.

In contrast, Korean bonds were well supported by weaker domestic data and the rate cut. Policy easing also bolstered Thai bonds, along with softer-than-expected inflation and weak exports. In Malaysia, the bond market was resilient although the ringgit was the worst-performing Asian currency, owing to persistent concerns over the impact of weak crude prices on government revenues and the ability of state investment company 1MDB to repay its debt.

Other regional currencies closed flat or fell against the U.S. dollar. The exception was the yuan, which strengthened amid lower dollar-yuan fixing ahead of U.S. treasury secretary Jack Lew's visit to China, the central bank's drive to include the yuan in the International Monetary Fund's Special Drawing Right currency basket and reports that state lenders were shoring up the currency.

The investment-grade sector drove gains in Asian U.S.-dollar bond markets. New issues totaled more than US$40 billion in the first quarter, dominated by higher-quality corporates. Malaysian state-owned oil group Petronas sold US$5 billion in bonds, while China's ICBC Financial Leasing saw solid demand for its three-year and five-year bond issues, totaling US$1 billion.

Outlook

Markets continue to be influenced by expectations over U.S. policy normalization. The Fed appears to be delaying a rate hike in the face of a strengthening U.S. dollar. It is unlikely to raise rates unless the U.S. recovery becomes self-sustaining. With the disappointing March payrolls potentially foreshadowing a more substantial slowing of the labor market, the possibility seems likely to remain just that.

As such, expectations have shifted from a rate hike in June to later this year. Meanwhile, U.S. dollar strength continues to be supported by on-going quantitative easing in Europe and Japan, which is widening the yield gap with the U.S. Elsewhere, we are likely to see bouts of risk aversion triggered by turmoil in vulnerable emerging markets. Global economic conditions remain sluggish.

Against this backdrop, we expect Asian central banks to continue supporting growth via further interest rate cuts or stimulus. Policy easing has buttressed bond markets in Korea and Thailand, whereas for some markets, such as Indonesia, currency weakness has hurt local currency bond markets (see Focus). For U.S.-dollar corporate bonds, a preference for quality is reflected in the robust take-up of investment-grade issues. We see reasonably solid demand for credit amid the continuing hunt for yield.

Focus – Caught in a bind

It's a tough time for Indonesian policymakers, as the rupiah falls to its weakest level against the U.S. dollar in over 15 years. A weaker rupiah is positive to the extent that it will boost exports and help reduce the country's large and chronic current account deficit. On the flip side, it will also result in costlier imports, particularly for the manufacturing sector, where 60 to 70% of basic and intermediate materials are shipped from abroad. There is also the risk of foreign capital flight. The local currency bond market is particularly vulnerable because of the high level of foreign ownership of around 40%. This is worrying because the country depends on foreign inflows to finance the current account deficit. For now, Indonesia is enjoying a trade surplus for the third straight month, but the government's looming infrastructure push could lead to a spike in imports later this year, and a worsening current account deficit. Should that happen, the central bank may need the rupiah to fall further to boost exports and hope this will be enough to offset any potential capital flight.

Fund Updates

- Aberdeen Asia-Pacific Income Fund, Inc. Announces Payment Of Monthly Distribution – April 28
- Adams Diversified Equity Fund Declares Dividend And Announces First Quarter Performance – April 16
- Ares Multi-Strategy Credit Fund, Inc. Declares Monthly Distributions of $0.1525 Per Share – April 13
- Ares Dynamic Credit Allocation Fund Declares Monthly Distributions of $0.117 Per Share – April 13
- Distribution Dates and Amounts Announced for Certain BlackRock Closed-End Funds - May 1
- BMO Asset Management Inc. Announces Cash Distributions for BMO Exchange Traded Funds – April 20
- Calamos CEFs (NASDAQ: CHI, CHY, CSQ, CGO and CHW) Announce Monthly Distributions for May 2015 – May 1
- Calamos Dynamic Convertible and Income Closed-End Fund (NASDAQ: CCD) Declares First Monthly Distributions – May 4
- Cohen & Steers Closed-End Funds Announce Share Repurchases – April 22
- Cushing® Royalty & Income Fund Announces Monthly Distribution – May 1
- Cushing® MLP Total Return Fund Announces Monthly Distribution – May 1
- Certain Deutsche Closed-End Funds Declare Monthly Distributions – May 8
- Month-End Portfolio Data Now Available for Federated Investors' Closed-End Funds – April 15
- Federated Investors' Closed-End Municipal Funds Declare Monthly Dividends – May 11
- First Trust Advisors L.P. Announces Distributions for Exchange-Traded Funds – April 20
- First Trust Specialty Finance and Financial Opportunities Fund Declares its Quarterly DIST of $0.1725 Per Share – May 11
- Guggenheim Investments Exchange-Traded Funds Declare Monthly Distributions – April 30
- Guggenheim Investments Announces May 2015 Closed-End Fund Distributions – May 1
- Guggenheim Strategic Opportunities Fund Announces $0.18 Monthly Dividend (GOF) – May 8
- Neuberger Berman Closed-End Intermediate Municipal Funds Announce Monthly Distributions – April 15
- Nuveen Closed-End Fund Announces Preliminary Results of Tender Offer – May 11
- Pioneer Investments Declares Monthly Distributions for Closed-End Funds – May 5
- Stone Harbor Emerging Markets Total Income Fund Declares Monthly Distributions of $0.1511 Per Share – April 22
- Tortoise Capital Advisors Announces Distribution Amounts and Dates for CEFs (TYG, NTG, TTP, NDP, TPZ) – May 11
- Vanguard Announces Cash Distributions for the Vanguard ETFs (VBU and VBG) – April 24
- Wells Fargo Advantage Closed-End Funds Declare Monthly Dividends – April 24

Recap from Capital Link's 14th Annual Closed-End Funds & Global ETFs Forum

14th Annual Capital Link Closed-End Funds and Global ETFs Forum
Thursday, April 23, 2015
The Metropolitan Club, One East 60th St.,New York City

On Thursday, April 23, 2015, at the Metropolitan Club in New York City, Capital Link hosted another prestigious and hugely successful Closed-End Funds & Global ETFs Forum for the fourteenth year in a row. The event was organized in cooperation with the NYSE. As in previous years, it attracted more than 1,000+ delegates comprised mainly of financial advisors and wealth managers, institutional investors, portfolio managers, analysts, media and other industry participants.

The Forum is the only educational, industry, marketing, and networking event to combine closed-end funds (CEFs) and exchange-traded Funds (ETFs). The event provided a platform where CEFs and ETFs investors, and industry participants debate and exchange information on critical industry topics, the market outlook, and to network. Featured panel discussions and presentations were presented by senior executives and portfolio manager of individual CEF and ETF Funds, investment banks, analysts, rating agencies as well as industry experts.

The Forum kicked off addressing critical industry topics through panel discussions. The first panel discussed **"MLP Investing Through CEFs & ETFs,"** and was followed by the **"BDC Industry Roundtable."**

John P. Calamos, Sr, *Chairman, CEO and Global Co-CIO* of Calamos Investments delivered the luncheon Keynote address, **"Asset Allocation During Periods of Market Uncertainty."** Following the address was **The Annual Closed-End Fund & ETF Awards** ceremony. The Awards are an initiative of Capital Link's - a leading New York-based investor relations and financial communications firm that maintains a strategic focus on Closed-End Funds (CEF) and ETFs.

To the view the audio archive, presentations, and photo gallery of this Forum, please visit: http://forums.capitallink.com/cef/2015/index.html.

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- Bank of America Merrill Lynch
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- Fitch Ratings
- Goldman Sachs Asset Management
- Infrastructure Capital Advisors
- JP Morgan Asset Management
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- Ladenburg Thalmann Asset Management
- Legg Mason
- Morgan Stanley
- Navigate Fund Solutions
- New Ireland Fund
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- Poliwogg Healthcare Investments
- Prospect Capital Corporation
- Raymond James Investment Banking
- Rich Investment Solutions
- Stifel
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"ASSET ALLOCATION DURING PERIODS OF MARKET UNCERTAINTY" –

John P. Calamos, *Sr., Chairman, CEO and Global Co-CIO -* Calamos Investments

There appears to be much market uncertainty at this time.

Although the US economy is poised for some growth (+2.0% – 2.5% GDP for 2015), slowdown in job growth , low inflation and a strong US dollar is causing uncertainty with respect to FED intervention in increasing interest rates. Although the US is not in danger of a recession, lackluster growth is causing the FED to refrain from any immediate action as bond yields may continue to decline. Economic conditions in Europe and Japan are weaker than the US, and there remains concern over the economic viability of certain nations in the EU. There is also concerns over the sustainability of the growth rate in China, as current forecasts have been lowered. In addition, instability and global unrest in the Middle East and Russia continue to foster anxiety in the markets.

Although Calamos is generally bullish that we believe we are in the "mid-innings" of a US recovery, investors should be careful regarding ways to participate given the inherent market volatility associated with such dynamics. We believe that risk management assessment is paramount in times of market volatility. In spite of this, investors are seeking ways to receive income in a period of abnormally low interest rates. Accordingly, we emphasize the use of convertibles as a way to not only achieve income, but to participate in the equity markets in a more risk managed way. Calamos believes that the overall health of the convertible market is strong given the increased issuance of such securities over the past two years. In addition, the blend of issuance has been comprised of both US and non-US companies, thereby offering global opportunities for investors. Convertibles are particularly suited for investors during such periods of volatility and low yields because they do provide income, as well as offer upside equity market participation. However, because of the income component, they offer downside equity market protection. They offer downside protection with respect to bonds because of the equity component and because they inherently have lower maturities and durations.

The Annual Closed-End Fund & ETF Awards, an initiative of Capital Link, Inc. aims to identify and recognize annually those fund sponsors and executives who consistently apply high standards of financial disclosure, investor and shareholder relations, as well as product innovation. **The Analyst Awards** recognize firms and analysts for their research coverage of the CEF and ETP/ETF sectors. The Awards are based on nominations by a committee of analysts and industry specialists who actively follow CEFs and ETPs/ETFs. Capital Link is not part of the Nominating Committee. Also, members of the Nominating Committee cannot be candidates for the Awards.

The Awards are presented at the luncheon of Capital Link's 14th Annual Closed-End Funds & Global ETFs Forum.

Closed-End Fund & ETP / ETF Awards

14th ANNUAL *Closed-End Funds and Global ETFs* 2015 CAPITAL LINK FORUM

PUBLISHED IN: BARRON'S (April 27, 2015) & INVESTOR BUSINESS DAILY (May 4, 2015)

Closed-End Funds Awards

Most Innovative Closed-End Fund in 2014
Tekla Healthcare Opportunities Fund (THQ)

Best Shareholder Relations by a Non-US Equity Fund Family in 2014
Aberdeen Asset Management

Best Shareholder Relations by a US Equity Fund Family in 2014
Nuveen Investments

Best Shareholder Relations by a Fixed Income Fund Family in 2014
Nuveen Investments

Best Investor Relations CEF Website in 2014
Nuveen Investments

For Contribution to the Closed-End Fund Sector in 2014
David Lamb, Senior Vice President, Global Structured Products - Nuveen Investments

Closed-End Funds Analyst Awards

Best Research Analyst for Closed-End Funds in 2014
Elias Lanik, Senior Closed-End Fund Analyst - Bank of America Merrill Lynch

ETF Awards

Most Innovative ETP in 2014
PureFunds ISE Cyber Security ETF (HACK)

Best Shareholder Relations by an ETP Sponsor in 2014
iShares / BlackRock

Best Investor Relations Website in 2014
iShares / BlackRock

Most Innovative Index / Index Based ETP in 2014
ISE Cyber Security (HXR)

For Contribution to the Exchange-Traded Fund sector in 2014
Ed McRedmond, Senior Vice President, Director of Institutional & Portfolio Strategies - Invesco PowerShares

ETF Analyst Awards

Best Research Analyst for Exchange Traded Products in 2014
Michael Jabara, Executive Director, Head of Exchange-Traded Fund (ETF) and Closed-End Fund Research - Morgan Stanley Wealth Management

> Click here to access the audio archive & presentation

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.

She’s been running mutual funds and have been closely cooperating with the team or the colleagues who have been running the fund which we are talking about today before and I’ve been the deputy for that fund during that time as well, so we are very happy to welcome her back on board and having now more resources to focus actually on one of the largest market in our portfolio which is still Russia, a market which we have to talk about in more detail at a later stage.

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.

Featured Presenters

Matthew Kennedy
Vice President, Global Execution Services
Fidelity Capital Markets

Russell Latham
Director, ETF Markets and Analytics
Fidelity Investments

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 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 liquidity 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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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 Presenter

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

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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