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The Month in Closed-End Funds: September 2015

PERFORMANCE

For the fifth consecutive month equity CEFs suffered a negative NAV-based return (-4.48% for September) and market-based return (-5.61%) on average. For the second consecutive month fixed income CEFs also suffered downside performance, losing 0.29% on a NAV basis, but they managed to eke out a plus-side market-based return for September of 0.21%. Year to date equity CEFs remained in the red for the third straight month, down 9.66%, while fixed income CEFs just managed to keep their heads above water, returning on average 0.47% on a NAV basis. Both asset classes posted negative returns for Q3 2015, declining 10.09% and 0.40%, respectively. With small-cap and growth-oriented issues taking it on the chin in September, it was little wonder the Russell 2000 Price Only Index and the NASDAQ Composite posted the worst monthly returns of the U.S. broad-based indices (-5.07% and -3.27, respectively). However, the world indices fared worse, with the Nikkei 225 and Xetra DAX suffering some of the largest losses (-7.95% and -5.84%). Of course, for the quarter China-related equities posted the worst returns, with the Shanghai Price Only Composite declining 30.38%. However, its monthly loss was in the middle of the pack for September (-4.49%).

Volatility remained high in September, with the Dow Jones Industrial Average moving sharply lower in the first week of the month on a disappointing nonfarm payrolls report that showed the U.S. added a lower-than-expected 173,000 jobs for August, below the consensus-expected 217,000. Nonetheless, investors bid up the market ahead of the Federal Reserve's policy meeting, despite consumer confidence falling to its lowest reading since September 2014 and Saudi Arabia refusing to back an emergency OPEC meeting, sending near-month crude oil prices below $45 per barrel. Later in the month equity prices were whipsawed after the Fed left interest rates unchanged, citing sluggish growth in emerging markets as a primary concern and leading investors to ponder the health of the global economy and the timing of the first rate hike in over ten years. After learning about an absurd increase in the price of a drug that treats parasitic infections, presidential hopeful Hillary Clinton announced plans to attack price gouging by pharmaceutical and healthcare firms, giving investors reason to take some of their hard-won profits off the table and sending biotech issues to their worst weekly losses in seven years.

Whether investors felt the Fed was signaling a lack of confidence in the economy or they realized the large declines in commodity prices would hurt our trading partners overseas, the pall hovering over the global markets became more pronounced despite Fed Chair Janet Yellen's comments later in the month that indicated the "prospects for the U.S. economy generally appear solid." News that China's industrial profits declined 8.8% from a year ago and that the Fed's preferred measure of inflation—the core Personal Consumption Expenditure (PCE) deflator—for August was up only 1.3% from a year ago and well below its 2% target level sent the S&P 500 below the 1,900 mark toward the end of September. As a result of the generally dour mood over the global economy, Treasury yields declined at all maturity levels along the curve except the onemonth, which remained at 0.00%; the largest declines

The Month in Closed-End Funds: September 2015

- For the second month running fixed income closed-end funds (CEFs) witnessed a negative return on average, losing 0.29% on a net-asset-value (NAV) basis, while their equity CEF counterparts—for the fifth consecutive month—were also in the red, losing 4.48% on average for September.
- For September only 6% of all CEFs traded at a premium to their NAV, with 7% of equity funds and 6% of fixed income funds trading in premium territory. The domestic equity CEFs macro-group witnessed the largest widening of discounts for the month—86 basis points (bps) to 11.41%.
- For the third consecutive month Lipper's municipal bond CEF macro-group (+0.99%) posted a plus-side return on average, with California Municipal Debt CEFs (+1.11%) posting the strongest return in the muni group and the fixed income universe.
- None of the equity macro-groups were unscathed during this market rout. Nonetheless, mixed-asset CEFs (-2.46%) did better than their domestic equity CEFs (-5.64%) and world equity CEFs (-3.20%) brethren.
- Real Estate CEFs (+0.80%) posted the only positive NAV-based return in the equity universe for the month, while for the second month in a row Energy MLP CEFs (-20.41%) was at the bottom.

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

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occurred in the six-month yield and the seven-year yield , 19 bps to 0.08% and 1.75%, respectively).

For September the dollar gained against the euro (+0.30%) and the pound (+1.65%), but it lost against the yen (-1.20%). Commodities prices declined, with near-month gold prices losing 1.42% to close September at $1,115.50/ounce. Front-month crude oil prices dove 8.35% to close the month at $45.09/barrel.

For the month only 39% of all CEFs posted NAV-based returns in the black, with 12% of equity CEFs and 59% of fixed income CEFs chalking up returns in the plus column. Concerns over slowing global growth weighed especially hard on natural resources securities, sending Lipper's domestic equity CEFs macro-group (-5.64%) to the bottom of the equity CEFs universe for the first month in three. The continued market rout wasn't much kinder to world equity CEFs (-3.20%) or mixed-asset CEFs (-2.46%).

A large decline in commodities prices and continued interest rate fears placed a pall over Lipper's Energy MLP CEFs classification (-20.41%), sending it to the bottom of the equity universe for the second month in a row, bettered considerable by Natural Resources CEFs (-10.29%). As a result of bottom shopping, the Real Estate CEFs (+0.80%) classification was the only one in the equity CEF universe posting a plus-side return. For the remaining equity classifications returns ranged from minus 5.14% (Sector Equity CEFs) to minus 1.09% (Pacific ex-Japan CEFs).

Seven of the ten top-performing individual equity CEFs were housed in Lipper's Real Estate CEFs classification, including **Cohen & Steers Quality Income Realty Fund, Inc. (NYSE: RQI),** returning 3.49% on a NAV basis and traded at a 9.89% discount on September 30, and **Nuveen Real Estate Income Fund (NYSE: JRS),** posting a 2.80% return and traded at an 8.80% discount at month-end. Coming in third was **Engex Inc. (OTC: EXGI,** housed in Lipper's Growth CEFs classification), gaining 2.45% on a NAV basis. EXGI did not trade on September 30 and so did not have a premium or discount that day. Following EXGI were **Cohen & Steers Total Return Realty Fund, Inc. (NYSE: RFI)**, rising 2.35% on a NAV basis and traded at a 9.38% discount at month-end, and **Cohen & Steers REIT & Preferred Income Fund, Inc. (NYSE: RNP),** posting a 1.94% NAV-based return and traded at a 15.87% discount on September 30.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 30.85% to positive 3.49%—was much wider than August's spread and more negatively skewed. The 20 top-performing equity CEFs posted returns at or above 0.55%, while the 20 lagging equity CEFs were below minus 17.69%.

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	12	36	61	7	93
Bond Funds	89	62	36	6	94
ALL CEFs	**39**	**51**	**46**	**6**	**93**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	SEPTEMBER	YTD	3-MONTH	CALENDAR-2014
Equity Funds	-4.48	-9.66	-10.09	6.65
Bond Funds	-0.29	0.47	-0.40	11.56
ALL CEFs	**-2.07**	**-3.78**	**-4.51**	**9.58**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	SEPTEMBER 2015	CALENDAR-2014
ALL CEFs	**28**	**23**

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

3 MONTHS THROUGH 8/31/2015	768
COMPARABLE YEAR-EARLIER 3 MONTHS	186
CALENDAR 2014 AVERAGE	302

Source: Lipper, a Thomson Reuters company

The 14 worst performing equity CEFs were warehoused in the Energy MLP CEFs classification. At the bottom of the pile for the second consecutive month was **Cushing Royalty & Income Fund (NYSE: SRF),** shedding 30.85% income CEFs witnessed plus-side performance for August of its August closing NAV price; SRF traded at a 0.43% premium at month-end. **Cushing MLP Total Return Fund (NYSE: SRV)** posted the next poorest return in the equity universe, declining 28.72% and traded at a 14.72% discount at month-end. For September only 31 equity CEFs experienced NAV-based returns in the black.

While the one-month Treasury yield witnessed no change—remaining at 0.00%, the yield curve shifted downward, with declines at all other maturity levels along the curve as investors remained uncertain about the global economy and the Fed's commitment to raising rates sometime this year. The six-month and seven-year Treasury yields witnessed the largest jumps during the month, rising 19 bps to 0.08 and 1.75%, respectively. The ten-year yield declined 15 bps to 2.06% at month-end. For the third consecutive month municipal bond CEFs (+0.99%) were the only fixed income CEF macro-group posting a plus-side return, while domestic taxable bond CEFs (-1.59%) and world bond CEFs (-2.37%) were pulled down by investors' risk-off mentality.

Once again at the top of the domestic taxable fixed income classification charts were U.S. Mortgage CEFs (-0.12%) and Corporate Debt BBB-Rated CEFs (-0.40%). At the bottom High Yield (Leveraged) CEFs (-3.09%) suffered the largest negative return after investors fled risky assets for the second month in a row. As a result of continued uncertainty in the world markets, both classifications making up Lipper's World Income CEFs macro-classification (-2.37%) posted September returns in the lower quarter of the fixed income universe, with Global Income CEFs posting minus 1.80% but still mitigating losses better than Emerging Market Debt CEFs (-3.18%, the fixed income universe's poorest performing classification for June, July, August, and September).

On the muni debt side California Municipal Debt CEFs (+1.11%) posted the strongest return of the group and the fixed income CEFs universe, while New York Municipal Debt CEFs (+0.79%) posted the lowest return of the group. National municipal debt CEFs (+1.04%) outshone their single-state municipal debt CEF counterparts (+0.93%).

Four of the five top-performing individual CEFs in the fixed income universe were housed in Lipper's General & Insured Municipal Debt (Leveraged) CEFs macro-classification. At the top of the group was **Alliance-Bernstein National Municipal Income Fund Inc. (NYSE: AFB),** returning 3.45% and traded at a 10.44% discount on September 30. Following AFB were **Alliance California Municipal Income Fund, Inc. (NYSE: AKP,** housed in Lipper's California Municipal Debt CEFs classification), returning 3.08% and traded at a 9.58% discount at month end; **Eaton Vance Municipal Income 2028 Term Trust (NYSE: ETX)**, tacking 2.12% onto its August month-end value and traded at a 12.30% discount at month-end; **Eaton Vance Tax-Advantaged Bond and Option Strategies Fund (NYSE: EXD),** posting a 2.00% return and traded at a 16.43% discount on September 30; and **PIMCO Municipal Income Fund (NYSE: PMF),** returning 1.97% and traded at a 10.22% premium at month-end.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 8.53% for **NexPoint Credit Strategies Fund (NYSE: NHF**, housed in Lipper's High Yield [Leveraged] CEFs classification and traded at a 14.88% discount on September 30) to 1.81% for **MainStay DefinedTerm Muncipal Opportunities Fund (NYSE: MMD,** housed in Lipper's General & Insured Municipal Debt CEFs [Leveraged] classification), which traded at a 6.64% discount at month-end. The 20 topperforming fixed income CEFs posted returns at or above 1.50%, while the 20 lagging CEFs were at or below minus 3.65%. A total of 208 fixed income CEFs witnessed plus-side performance for September.

PREMIUM AND DISCOUNT BEHAVIOR

For September the median discount of all CEFs widened 8 bps to 11.14%—worse than the 12-month moving average discount (9.48%). Equity CEFs' median discount widened 36 bps to 12.20%, while fixed income CEFs' median discount narrowed 60 bps to 10.01%. The Single-State Municipal Bond CEFs macro-classification's median discount witnessed the largest narrowing, 112 bps to 8.04%, while the domestic equity CEFs macro-group witnessed the largest widening of discounts in the CEFs universe—86 bps to 11.41%.

For the month 51% of all funds' discounts or premiums improved, while 46% worsened. In particular, 36% of equity funds and 62% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on September 30 (36) was six more than on August 31.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

First Trust Dynamic Europe Equity Income Fund (NYSE:FDEU) raised gross proceeds of approximately $330 million in its initial public offering. If underwriters exercise their overallotment options the fund could raise gross proceeds of approximately $379.5 million.

RIGHTS, REPURCHASES, TENDER OFFERS

Trustees adopted 5% share repurchase programs for **First Trust High Income Long/Short Fund (NYSE:FSD), First Trust Dividend and Income Fund (NYSE:FAV), First Trust/Aberdeen Emerging Opportunity Fund (NYSE:FEO), First Trust/Aberdeen Global Opportunity Income Fund (NYSE:FAM), and First Trust Strategic High Income Fund II (NYSE:FHY).**

Trustees approved a nontransferable rights offering for **Dividend and Income Fund (NYSE:DNI)** that will allow shareholders to purchase up to 2,900,000 additional shares. The shareholder record date is September 28, 2015, and the rights offering is expected to expire on October 30, 2015. The discount on DNI widened from 14.9% to 20.4% in September.

Deutsche Global High Income Fund (NYSE:LBF), Deutsche High Income Trust (NYSE:KHI), Deutsche Multi-Market Income Trust (NYSE:KMM), Deutsche Municipal Income Trust (NYSE: KTF), Deutsche Strategic Income Trust (NYSE:KST), and Deutsche Strategic Municipal Income Trust (NYSE:KSM) will extend their respective open market share repurchase programs for an additional 12 months.

MERGERS AND REORGANIZATIONS

There were no mergers or reorganizations in September.

OTHER

Trustees of **NexPoint Credit Strategies Fund (NYSE:NHF)** approved a one-for-four reverse share split effective October 6, 2015. Shareholders will be paid cash for any fractional shares resulting from the reverse share split. The discount on NHF held steady in September and finished at 14.9%.

Citing weak equity markets and Mexican currency, directors of **The Mexico Fund (NYSE:MXF)** approved a change in the quarterly distribution payable under the fund´s managed distribution plan. Effective with the October 2015 distribution, the managed distribution rate will be lowered from 10% to 6% of NAV. The discount on MXF was fairly steady, ending September at 10.8%.

Recently adopted IRS regulations will require **Salient Midstream & MLP Fund (NYSE:SMM)** to aggregate the investment holdings of its wholly owned subsidiary **Salient Midstream & MLP Fund** with its direct investment holdings for purposes of determining whether more than 25% of its total assets are invested in the securities of one or more "qualified publicly traded partnerships." Such QPTPs include master limited partnerships in which the fund and subsidiary invest. The regulations are effective December 15, 2015; Salient Capital Advisors intends to reduce its overall investments in MLPs to no more than 25% of assets before the May 2016 deadline. The discount on SMM narrowed from 11.0% to 8.7% in September.

NexPoint Credit Strategies Fund (NYSE:NHF) stands to benefit from a $287.5-million litigation judgment of which the fund would receive $51 million (less lawyers' fees and expenses); the fund is also seeking $13.7 million in additional prejudgment interest. The judgment remains subject to appeal and therefore is not currently recorded as an asset of the fund.

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

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- **Noel O'Halloran,** Chief Investment Officer – **Kleinwort Benson Investors;** and Portfolio Manager – **The New Ireland Fund**
- **Eoin Fahy,** Chief Economist, Investment Strategist – **Kleinwort Benson Investors**
- **Barry Dixon,** Head of Research – **Davy Stockbrokers**

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October 2, 2015
Matt Hougan of ETF.com: *Meet ETF public enemy No. 1 in this crazy market*

September 30, 2015
Ben Johnson of Morningstar: *Active vs. Passive: Not So Clear-Cut Anymore*

Lipper Classification	Average 1Mo NAV Change	Average 1Mo Mkt Change	Average P/D 9/30/2015	Average P/D 8/31/2015	Average 1 Mo P/D Change	Average YTD NAV Change	Average YTD Mkt Change	Average YTD P/D Change (%)
California Municipal Debt Funds	0.7%	1.9%	-4%	-5%	1.1%	1.2%	-0.2%	0.9%
Convertible Securities Funds	-5.1%	-7.9%	-14%	-12%	-2.9%	13.6%	-20.4%	-10.5%
Core Funds	-4.1%	-5.3%	-11%	-10%	-1.1%	14.9%	-14.9%	-2.3%
Corporate BBB-Rated Debt Funds(Leveraged)	-1.1%	0.5%	-9%	-11%	1.4%	4.3%	-3.3%	0.7%
Corporate Debt Funds BBB-Rated	-0.8%	1.8%	-5%	-8%	2.4%	4.8%	-1.5%	3.0%
Developed Market Funds	-3.8%	-3.9%	-12%	-13%	-0.1%	4.6%	-4.5%	-1.6%
Emerging Markets Funds	-4.4%	-4.0%	-12%	-12%	0.3%	18.8%	-17.8%	-3.0%
Emerging Mrkts Hard Currency Debt Funds	-4.4%	-4.0%	-16%	-16%	0.3%	15.7%	-16.4%	-3.6%
Energy MLP Funds	-20.6%	-18.9%	-4%	-6%	1.9%	71.9%	-40.6%	-0.1%
General & Insured Muni Debt Funds (Leveraged)	0.6%	1.4%	-8%	-9%	0.7%	1.9%	-2.5%	-0.6%
General & Insured Muni Fds (Unleveraged)	0.6%	1.7%	-5%	-6%	1.1%	0.8%	-3.2%	-2.3%
General Bond Funds	-1.5%	-2.3%	-11%	-10%	-0.6%	6.6%	-10.3%	-5.3%
Global Funds	-4.7%	-6.1%	-15%	-14%	-1.3%	14.0%	-17.2%	-5.8%
Global Income Funds	-2.5%	-2.0%	-13%	-13%	0.5%	10.6%	-13.0%	-4.0%
Growth Funds	-2.7%	-6.6%	-11%	-19%	-2.0%	19.8%	-12.0%	-1.3%
High Yield Funds	-3.2%	-2.6%	-12%	-13%	1.0%	9.1%	-15.3%	-6.2%
High Yield Funds (Leveraged)	-3.9%	-3.6%	-14%	-14%	0.4%	12.4%	-16.5%	-7.1%
High Yield Municipal Debt Funds	0.4%	1.7%	-6%	-7%	1.2%	1.6%	-4.6%	-3.3%
Income & Preferred Stock Funds	-2.4%	-3.1%	-11%	-10%	-0.9%	6.7%	-9.0%	-3.2%
Intermediate Municipal Debt Funds	0.5%	1.0%	-6%	-7%	0.4%	1.5%	-2.2%	-0.8%
Loan Participation Funds	-2.0%	-2.8%	-12%	-12%	-0.6%	3.8%	-6.7%	-2.8%
Natural Resources Funds	-10.7%	-11.0%	-13%	-11%	-0.7%	41.5%	-31.7%	-2.3%
New Jersey Municipal Debt Funds	0.5%	-0.3%	-11%	-10%	-0.8%	3.6%	-3.7%	-0.2%
New York Municipal Debt Funds	0.4%	1.0%	-6%	-7%	0.6%	1.4%	-0.8%	0.5%
Options Arbitrage/Opt Strategies Funds	-3.7%	-5.1%	-8%	-7%	-1.3%	11.0%	-12.3%	-2.8%
Other States Municipal Debt Funds	0.5%	0.2%	-8%	-8%	-0.3%	1.2%	-1.6%	-0.3%
Pacific Ex Japan Funds	-1.1%	-0.6%	-13%	-14%	0.4%	16.9%	-15.8%	-3.8%
Pennsylvania Municipal Debt Funds	0.5%	0.4%	-13%	-14%	-0.1%	1.6%	-5.1%	-3.3%
Real Estate Funds	-0.5%	0.6%	-15%	-14%	0.1%	5.0%	-9.9%	-2.3%
Sector Equity Funds	-5.6%	-8.4%	-9%	-6%	-2.8%	12.2%	-16.4%	-3.2%
U.S. Mortgage Funds	-0.7%	-0.8%	-11%	-11%	0.1%	2.7%	-5.9%	-2.6%
Utility Funds	-4.3%	-6.1%	-10%	-8%	-2.0%	21.9%	-21.7%	-4.9%
Value Funds	-3.3%	-3.3%	-14%	-14%	0.0%	11.6%	-14.4%	-4.1%

Top 5 Performing CEFs

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Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
AllianceBernstein Nat Mu	General & Insured Muni Debt Funds (Leveraged)	AFB	3.0%	1
Alliance CA Muni Inc	California Municipal Debt Funds	AKP	2.6%	2
Engex Inc	Growth Funds	EXGI	2.5%	3
Pioneer ILS Interval	High Yield Funds (Leveraged)	ILS	2.0%	4
Eaton Vance Mun Inc 2028	General & Insured Muni Debt Funds (Leveraged)	ETT	1.8%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
Engex Inc	Growth Funds	EXGI	31.3%	1
Alternative Strategies;A	Growth Funds	LTAF	22.7%	2
Western Asset Mid Mk Inc	High Yield Funds (Leveraged)	WMF	18.3%	3
Western Asset Mid MD Inc	High Yield Funds (Leveraged)	WAM	16.1%	4
Foxby Corp	Growth Funds	FXBY	13.1%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
Self Storage Group	Real Estate Funds	SELF	9.2%	1
DoubleLine:Oppor Crdt Fd	General Bond Funds	DBL	6.6%	2
LMP Real Estate Income	Real Estate Funds	RIT	6.1%	3
Dreyfus Muni Income	General & Insured Muni Debt Funds (Leveraged)	DMF	5.5%	4
Eaton Vance CA Muni Inc	California Municipal Debt Funds	CEV	4.6%	5

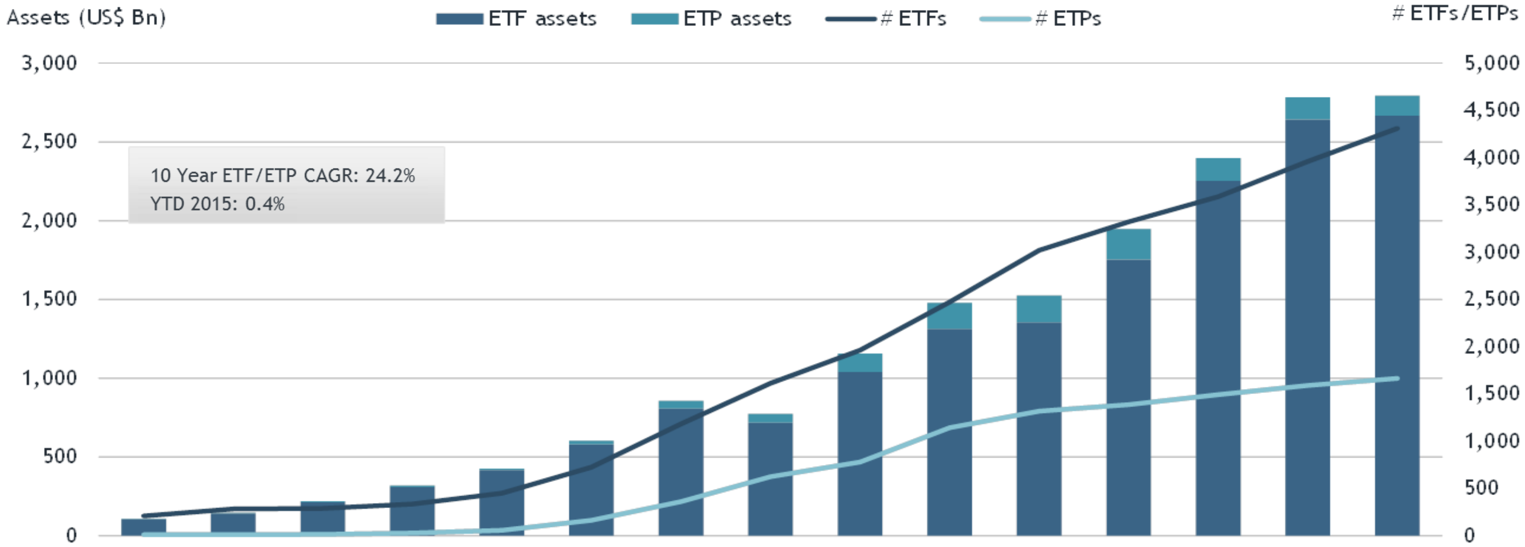
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
Japan Small Cap	Developed Market Funds	JOF	13.4%	1
Templeton Russia & E Eur	Emerging Markets Funds	TRF	8.1%	2
Self Storage Group	Real Estate Funds	SELF	8.0%	3
J Hancock Finl Opptys	Sector Equity Funds	BTO	7.4%	4
Transam Income Shares	Corporate Debt Funds BBB-Rated	TAI	7.1%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
Tortoise MLP	Energy MLP Funds	NTG	10.1%	1
Kayne Anderson Mstr/Engy	Energy MLP Funds	KMF	7.6%	2
Cushing Energy Income	Energy MLP Funds	SRF	6.8%	3
Cohen & Steers MLP Inc&E	Energy MLP Funds	MIE	6.3%	4
Center Coast MLP & Infra	Energy MLP Funds	CEN	6.1%	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
Nuveen AC Engy MLP Opps	Energy MLP Funds	JML	18.9%	1
J Hancock Finl Opptys	Sector Equity Funds	BTO	9.6%	2
Neuberger MLP Income	Energy MLP Funds	NML	9.3%	3
Transam Income Shares	Corporate Debt Funds BBB-Rated	TAI	9.3%	4
Goldman Sachs MLP&En Ren	Energy MLP Funds	GER	9.1%	5

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

At the end of September 2015, the Global ETF/ETP industry had 5,978 ETFs/ETPs, with 11,518 listings, assets of US$2,79 trillion, from 270 providers listed on 63 exchanges in 51 countries.



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Sep-15
# ETFs	209	284	289	335	451	725	1,184	1,614	1,962	2,474	3,020	3,323	3,588	3,962	4,312
# ETFs/ETPs	221	296	304	365	507	888	1,544	2,238	2,741	3,617	4,337	4,711	5,082	5,552	5,978
ETF assets	105	142	212	310	417	580	807	716	1,041	1,313	1,355	1,754	2,253	2,643	2,666
ETF/ETP assets	109	146	218	319	426	603	857	774	1,158	1,478	1,526	1,949	2,397	2,783	2,795

Summary for ETFs/ETPs: Global

Although September was another roller coaster ride for investors they allocated US$32 billion in net new assets to ETFs/ETPs listed globally during the month. This marks the 20th consecutive month of positive net inflows, according to ETFGI's ETF and ETP global insights report for the September 2015.

In the first three quarters of 2015 record levels of net new assets have been gathered by ETFs/ETPs listed globally with net inflows of US$250.5 Bn marking a 26% increase over the prior record set at this time last year. In the United States net inflows reached US$145.4 Bn, which is 7.8% higher than the prior record set in 2012, while in Europe year to date (YTD) net inflows climbed to US$61.6 Bn, representing a 30% increase on the record set YTD through end of September 2014. In Japan, YTD net inflows were up 143% on the record set last year, standing at US$36.4 Bn at the end of September 2015.

"Uncertainty on China and when the Fed will raise interest rates continues to weigh the markets and investor sentiment. The S&P 500 decreased 2.6% in September, and is down 6.7% year to date."according to Deborah Fuhr, managing partner at ETFGI.

The Global ETF/ETP industry had 5,978 ETFs, ETPs, with 11,518 listings, assets of US$2.8 trillion, from 270 providers listed on 63 exchanges in 51 countries.

ETFs/ETPs listed globally gathered net inflows of US$32 Bn in September 2015. Equity ETFs/ETPs gathered the largest net inflows with US$17 Bn, followed by fixed income ETFs/ETPs with US$12 Bn, while commodity ETFs/ETPs experienced net outflows of US$590 Mn.

YTD through end of September 2015, ETFs/ETPs listed globally have gathered net inflows of US$251 Bn. Equity ETFs/ETPs have gathered the largest net inflows YTD with US$156 Bn, followed by fixed income ETFs/ETPs with US$64 Bn, and commodity ETFs/ETPs with US$3 Bn.

iShares gathered the largest net ETF/ETP inflows in September with US$13.7 Bn, followed by Nomura AM with US$5.1 Bn, SPDR ETFs with US$4.4 Bn, Vanguard with US$4.4 Bn and then Proshares with US$1.4 Bn in net inflows.

YTD, iShares gathered the largest net ETF/ETP inflows with US$76.9 Bn, followed by Vanguard with US$59.2 Bn, DB x-trackers with US$25.7 Bn, WisdomTree with US$19.9 Bn and Nomura AM with US$18.6 Bn in net inflows.

The 397 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,230 Bn, or 79.9%, of Global ETF/ETP assets.

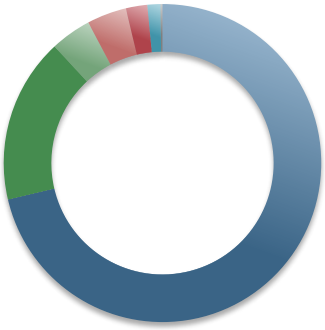
In September 2015, 78 new ETFs/ETPs were launched by 31 providers while 24 ETFs/ETPs closed

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

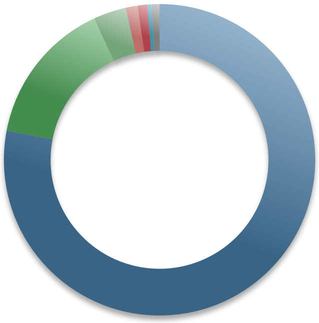
Global ETF/ETP Assets Summary

etfgi.com

ETF/ETP assets by region listed



ETF/ETP assets by asset class



ETF/ETP assets by product structure

Region	# ETFs/ ETPs	Assets (US$ Bn)	% total
US	1,787	$1,979.4	70.8%
Europe	2,145	$479.7	17.2%
Japan	165	$122.7	4.4%
Asia Pacific (ex-Japan)	745	$109.3	3.9%
Canada	370	$62.6	2.2%
Middle East and Africa	718	$36.1	1.3%
Latin America	48	$5.0	0.2%
Total	**5,978**	**$2,794.7**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	3,239	$2,113.3	75.6%
Fixed Income	860	$469.9	16.8%
Commodities	704	$101.5	3.6%
Leveraged	343	$37.7	1.3%
Active	232	$32.1	1.1%
Leveraged Inverse	169	$14.3	0.5%
Others	431	$25.9	0.9%
Total	**5,978**	**$2,794.7**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
ETF	4,312	$2,666.5	95.4%
ETP	1,666	$128.2	4.6%
Total	**5,978**	**$2,794.7**	**100.0%**

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

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

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3rd Annual Capital Link Master Limited Partnership Investing Forum

Thursday, March 3, 2016

The Metropolitan Club, One East 60th St.,NYC

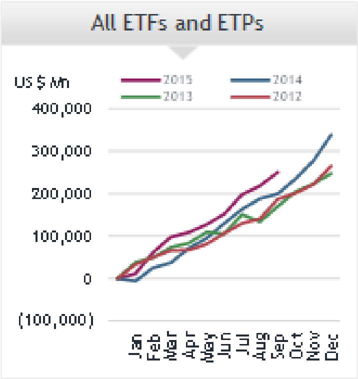
2014 AGENDA & PRESENTATIONS ARCHIVE

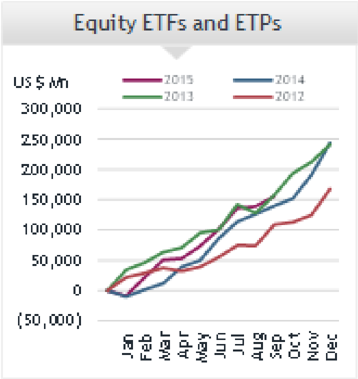
This Forum will qualify for CE Credits.

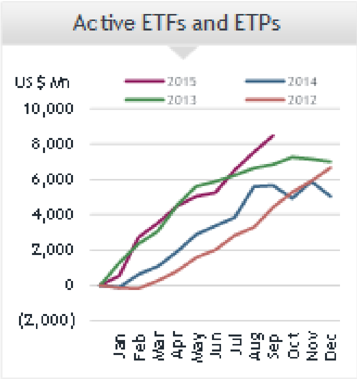
Global Year to Date Net New Assets

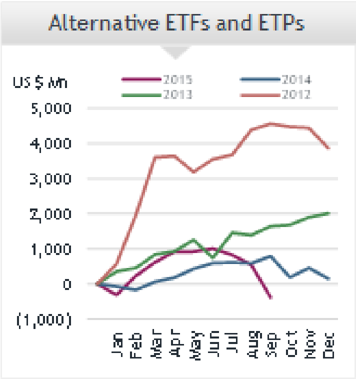
etfgi.com

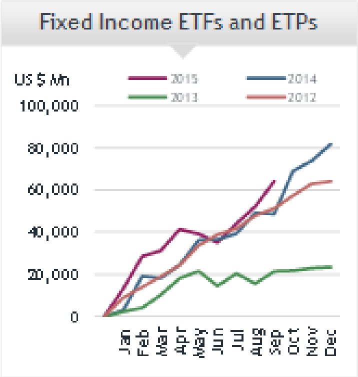
YTD 2015 vs 2014, 2013, 2012 ETF and ETP net new assets by asset class: Global

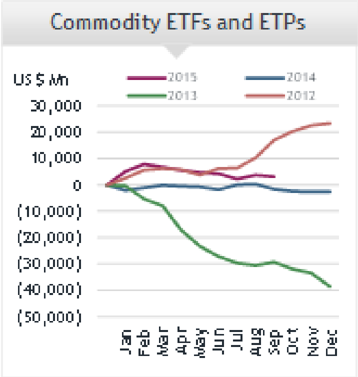


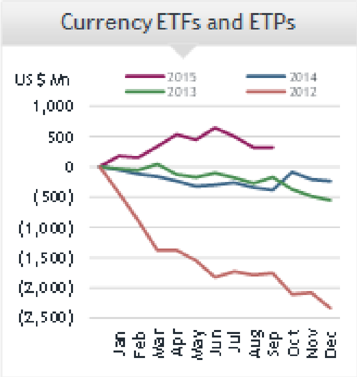


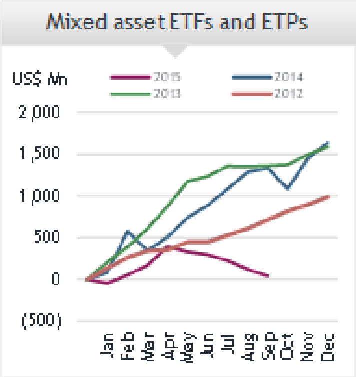












ETFs and ETPs listed globally gathered net inflows of $32,011 Mn in September. Year to date, net inflows stand at $250,519 Mn. At this point last year there were net inflows of $199,457 Mn.

Equity ETFs/ETPs saw net inflows of $16,577 Mn in September, bringing year to date net inflows to $155,483 Mn, which is greater than the net inflows of $139,626 Mn over the same period last year.

Fixed income ETFs and ETPs experienced net inflows of $12,059 Mn in September, growing year to date net inflows to $64,187 Mn, which is greater than the same period last year which saw net inflows of $48,667 Mn.

Commodity ETFs/ETPs saw net outflows of $590 Mn in September. Year to date, net inflows are at $3,138 Mn, compared to net outflows of $1,622 Mn over the same period last year.

Actively managed products saw net inflows of $973 Mn in September, bringing year to date net inflows to $8,542 Mn, which is greater than the net inflows of $5,729 Mn over the same period last year.

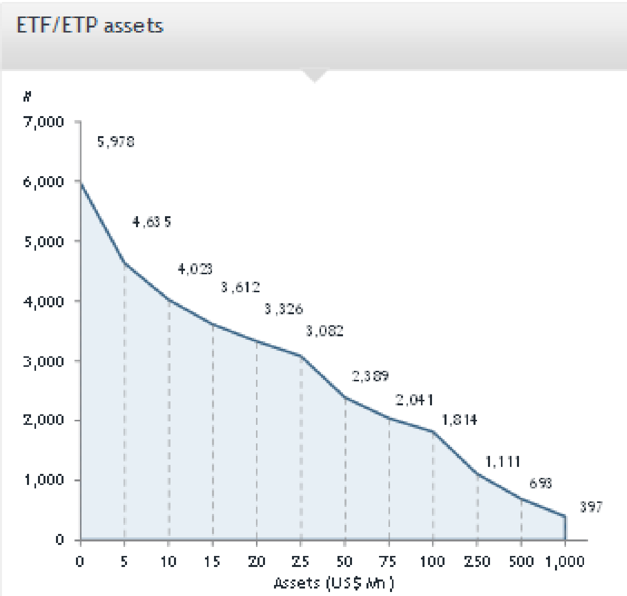
Products tracking alternative indices experienced net outflows of $934 Mn in September, taking year to date net outflows to $384 Mn. Over than the same period last year there were net inflows of $791 Mn.

Currency products accumulated net inflows of $3 Mn in September. Year to date, net inflows are at $320 Mn, compared to net outflows of $385 Mn over the same period last year.

Products holding more than one asset class saw net outflows of $81 Mn in September, bringing year to date net inflows to $41 Mn, which is less than the net inflows of $1,332 Mn over the same period last year.

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

Distribution of ETFs/ETPs by size



Assets greater than (US$ Mn)	# ETFs/ ETPs	% total	Total assets (US$ Bn)	% total
0	5,978	100.0%	2,789	100.0%
5	4,635	77.5%	2,787	99.9%
10	4,023	67.3%	2,782	99.7%
15	3,612	60.4%	2,777	99.6%
20	3,326	55.6%	2,772	99.4%
25	3,082	51.6%	2,767	99.2%
50	2,389	40.0%	2,742	98.3%
75	2,041	34.1%	2,721	97.5%
100	1,814	30.3%	2,701	96.8%
250	1,111	18.6%	2,587	92.8%
500	693	11.6%	2,438	87.4%
1,000	397	6.6%	2,230	79.9%

397 ETFs/ETPs have greater than US$1 Bn in assets, while 1,814 have greater than US$100 Mn in assets and 2,389 have greater than US$50 Mn in assets. The 397 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,230 Bn, or 79.9%, of Global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) Sep-15	NNA (US$ Mn) Sep-15	NNA (US$ Mn) YTD 2015
S&P 500 Index	315,970	6,846	(27,550)
MSCI EAFE Index	71,702	507	21,688
Nikkei 225 Index	56,239	2,010	13,038
CRSP US Total Market Index	52,336	(188)	5,354
TOPIX Index	49,081	3,149	14,097
NASDAQ 100 Index	41,329	(98)	(2,842)
S&P Mid Cap 400 Index	40,169	202	2,115
EURO STOXX 50 Index	35,633	960	10,268
MSCI Japan Index	33,452	244	7,350
Russell 1000 Growth Index	28,152	(69)	991
Russell 2000 Index	26,618	1,329	(2,067)
FTSE Developed ex North America Index	26,205	357	3,805
MSCI US REIT Index	24,637	(108)	(551)
Russell 1000 Value Index	24,002	373	372
DAX Index	19,397	539	2,956
CRSP US Large Cap Growth Index	18,603	313	2,035
Wisdom Tree Europe Hedged Equity Index	18,426	(413)	15,204
NASDAQ Dividend Achievers Select Index	18,244	(85)	(1,210)
MSCI World Index	18,211	(113)	(2)
S&P Financial Select Sector Index	17,269	(546)	(2,472)

Top 20 by monthly net inflows

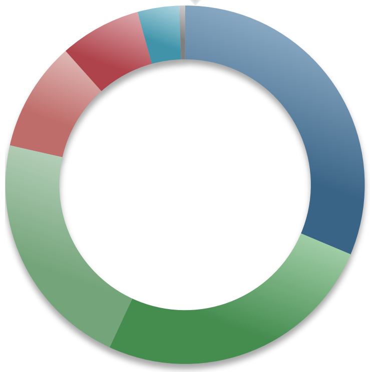
Name	Assets (US$ Mn) Sep-15	NNA (US$ Mn) Sep-15	NNA (US$ Mn) YTD 2015
S&P 500 Index	315,970	6,846	(27,550)
TOPIX Index	49,081	3,149	14,097
Nikkei 225 Index	56,239	2,010	13,038
Russell 2000 Index	26,618	1,329	(2,067)
MSCI EMU Index	16,853	1,188	6,868
EURO STOXX 50 Index	35,633	960	10,268
NASDAQ Biotechnology Index	8,337	834	1,361
JPX-Nikkei Index 400	5,310	649	1,937
DAX Index	19,397	539	2,956
MSCI EAFE Index	71,702	507	21,688
S&P/TSX 60 Index	7,798	470	(1,336)
CRSP US Small Cap Growth Index	4,597	429	1,000
Russell 1000 Value Index	24,002	373	372
MSCI EAFE IMI Index USD	6,146	361	3,587
FTSE Developed ex North America Index	26,205	357	3,805
STOXX Europe 600 Index	10,097	337	2,701
CRSP US Large Cap Growth Index	18,603	313	2,035
Dow Jones Industrial Average Index	12,084	312	(1,376)
Hang Seng Index	14,263	300	2,470
S&P Technology Select Sector Index	11,622	299	(1,404)

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

Year to Date ETF / ETP Product Launches

YTD ETF/ETP product launches

ETFs/ETPs by region listed



ETFs/ETPs by asset class

ETFs/ETPs by product structure

Region	# ETFs/ETPs	% total
US	214	32.2%
Asia Pacific (ex-Japan)	164	24.7%
Europe	144	21.7%
Middle East and Africa	61	9.2%
Canada	55	8.3%
Japan	24	3.6%
Latin America	3	0.5%
Total	**665**	**100.0%**

Asset class	# ETFs/ETPs	% total
Equity	427	64.2%
Fixed income	74	11.1%
Active	43	6.5%
Leveraged	42	6.3%
Inverse	25	3.8%
Leveraged Inverse	18	2.7%
Others	36	5.4%
Total	**665**	**100.0%**

Structure	# ETFs/ETPs	% total
ETF	533	80.2%
ETP	132	19.8%
Total	**665**	**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.

Annually, Capital Link holds 8-10 annual Investment Conferences in New York, London and Athens on maritime transportation and marine services, corporate social responsibility, Closed-End Funds and Global ETFs, a Greek Investor Forum in New York, and a Global Derivatives Forum on Commodities, Energy and Freight.

To view our upcoming conference, please click here.

Fitch Publishes 3Q15 Closed-End Fund Leverage Dashboard; MLP Funds Come Into Focus

October 26, 2015

Authored by:
Ian Rasmussen
+1 212 908 0232

Brian Knudsen
+1 646 582 4904

Fitch Ratings has published its 3Q15 Closed-End Fund Leverage Dashboard, which provides an overview of leverage performance trends over the past 12 months. Leverage ratios in the municipal closed-end fund (CEF) sector remained stable, averaging 35.7% since Oct. 1, 2014. Taxable CEFs experienced volatility throughout the year in line with general markets but trended up from 30.1% to 34.1%. Leverage ratios are an important metric that investors in CEF notes and preferred stock can use to track fund performance and develop views on credit risk.

The largest increase was in equity CEFs with leverage ratios increasing to 36.2%. In particular, MLP CEFs were under pressure as net asset values (NAVs) declined 43.0% over the last 12 months. Commodity markets and related assets sold off, increasing active management of the funds' capital structure. NAV declines peaked on Sept. 28 and 29 pushing average equity CEF leverage ratios, which include MLP CEFs, to a high of 37.5%. Fitch observes that these stresses influenced some CEF managers to deleverage, keeping leverage within debt and preferred stock covenants and their own internal guidelines.

Click here for complete reading

Fitch Closed-End Fund Leverage Dashboard: 3Q15

October 26, 2015

Authored by:
Ian Rasmussen
+1 212 908 0232

Brian Knudsen
+1 646 582 4904

Municipal Closed-End Funds

Leverage in the municipal closed-end fund (CEF) sector has remained stable over the past year. Nominal leverage entering 3Q 2015 was slightly down at $33.83 billion versus $33.97 billion entering 4Q 2014. However, increased utilization of reverse repurchase agreements partially offset a decline in preferred shares outstanding. Leverage ratios throughout the year remained stable, averaging 35.7%, and volatility in leverage ratios was primarily driven by NAV fluctuations. Fitch expects the composition and level of nominal leverage to remain stable in the sector over the next six months. Current asset coverage levels remain robust, and Fitch does not anticipate any downgrades of rated CEFs in the near term.

Taxable Closed-End Funds

Fitch divides the leveraged taxable CEF sector into three categories: taxable credit CEFs, hybrid CEFs, and equity CEFs. The categories accounted for 35%, 27%, and 38% of the $50.8 billion outstanding leverage as of July 1, 2015, respectively.

Click here for complete reading

Rating Actions

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

- **Fitch Rates VMTP Shares Issued by Nuveen Closed End Fund – October 1, 2015**
- **Fitch Confirms MainStay Muni Fund FMTP Shares After Maturity Extension – October 1, 2015**
- **Fitch Rates AllianzGI Diversified Income & Convertible Fund Notes and Preferred Stock – October 6, 2015**
- **Fitch Affirms Kayne Anderson Energy Total Return Fund Notes at 'AAA' & MRPS at 'AA'' – October 7, 2015**
- **Fitch Affirms Note Programs of Banco Popular, Santander and UBS Puerto Rico CEFs – October 15, 2015**

How Long Will the Unusually Good Values in Today's CEF Market Last?

October 2015

» The closed-end fund (CEF) space offers historically wide discounts in most sectors, with some discounts at levels not seen in more than five years—shortly after the financial crisis of 2008

» These wide discounts reflect anxiety about the potential impact of rising interest rates on CEFs' distributions and the asset values of underlying portfolios

» Convertible CEFs have experienced especially wide price/NAV disconnects, exacerbated by the recent selloff in high yield bonds

» Calamos CEFs offer historically high distribution rates and superior values on both a relative and absolute basis

» The selloffs of many CEFs, including those managed by Calamos, are largely sentiment driven and not in line with fundamentals, as evidenced by NAV performance that is much more aligned with comparable indexes

» For investors who can look past the short-term emotion driving the CEF market and instead focus on fundamentals, now may be a timely opportunity to deploy capital into CEFs

» Calamos is commited to (1) navigating market volatility and (2) using innovative strategies to generate income with less vulnerability to duration risk

UNCOMMON VALUE OPPORTUNITIES

Calamos CEFs offer unusual value today. Over the past 90 days, market prices have declined disproportionately versus the net asset values of the underlying portfolios.

3 months ended September 30, 2015

	PRICE % DECLINE	NAV % DECLINE
CHI	-16.92%	-9.17%
CHY	-14.00	-9.43
CSQ	-13.31	-8.37
CGO	-17.03	-8.90
CHW	-15.97	-10.26
CCD	-17.12	-8.57

Data as of 9/30/15. Source: Morningstar.

In some cases, discounts have more than doubled over the past 90 days. As a result, the value that Calamos CEFs offer today is compelling compared to historic price/NAV relationships.

	INCEPTION DATE	9/30/15 DISCOUNT	YTD AVERAGE DISCOUNT	AVERAGE LIFETIME PREM (+) DISC (-)
CHI	6/26/2002	-12.48%	-4.15%	+6.00
CHY	5/28/2003	-9.34	-1.39	+0.35
CSQ	3/26/2004	-14.30	-9.32	-8.82
CGO	10/27/2005	-9.35	-4.76	-3.52
CHW	6/27/2007	-16.75	-10.67	-10.67
CCD	3/27/2015	-13.26	-4.26*	-4.26

Data as of 9/30/15. Source: Morningstar.
*Cumulative performance as fund inception date is less than 12 months.

Duration is the measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

DISTRIBUTION RATES THAT FAR EXCEED INDEXES

With price declines that are disproportionate to NAV performance, distribution rates on Calamos CEFs far surpass those of relevant indexes and ETFs.

	CURRENT DISTRIBUTION RATES
CHI	11.53%
CHY	11.04
CSQ	10.66
CGO	10.76
CHW	12.07
CCD	11.08
S&P 500 Index	2.27
10-Year Treasury	2.06
Barclays US Aggregate Index	2.21
SPDR Barclays HY Bond ETF (JNK)	6.31
SPDR Barclays Convertible Secs ETF (CWB)	4.64

Data as of 9/30/15. Source: Morningstar, Bloomberg and U.S. Department of the Treasury

PORTFOLIO PERFORMANCE
(NAV) VS. RELEVANT INDEXES (7/1/15 – 9/30/15)

Our view is that CEFs have been oversold, as investors allow sentiment to overshadow fundamentals. Consider that the recent NAV performance of the Calamos CEFs has been far more aligned with relevant indexes than the market price has been.

	TOTAL RETURN
CHI	-9.37%
CHY	-9.59
CSQ	-8.57
CGO	-8.95
CHW	-10.52
CCD	-8.71
MSCI World Index	-8.33
S&P 500 Index	-6.44
BofA Merrill Lynch All U.S. Convertibles Index	-7.14

Data as of 9/30/15. Source: Morningstar Direct.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. The principal value of an investment will fluctuate so that your shares, when sold, may be worth more or less than their original cost. Returns at NAV reflect the deduction of the Fund's management fee, debt leverage costs and other expenses. The **MSCI World Index** is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe, and Asia/Pacific region.

Calamos CEF Takeaways
Calamos CEFs:

» Offer what we believe are uncommonly good values at current prices, on both an absolute current and historical basis compared to their respect NAVs

» Maintain high distribution levels that have NOT been reduced due to fear of rising leverage costs or portfolio declines due to rising rates

» Have performed largely in line with relevant indexes on an NAV basis

» Are trading below their 50-day and 200-day moving averages (see tables on next page)

» Are positioned with an eye to downside risk management, with sources of income that are potentially less sensitive to an eventual rise in interest rates

Click here for complete reading

September Flash Flows: ETF Inflows Surge Despite Market Volatility

October 15, 2015

Authored by:
David B. Mazza
Head of Research, SPDR ETFs/SSGA Funds
State Street Global Advisors

If there's one thing we all know about markets, it's that they move quickly and all it takes is one headline to change momentum. This has never been more true than in the third quarter, and it's one of the reasons I take time every month to review what happened in the markets and how investors used ETFs to respond to shifting conditions.

In this new series of "Flash Flows" blogs, I'll review monthly ETF flows and highlight key takeaways that you can use to help investors spot trends and respond to market moves in a timely manner.

We saw August's market turmoil spill over into September as investors fretted not only over the implications of China's stock market rout, currency devaluation and economic slowdown, but also over the fate of interest rates as the Federal Reserve (Fed) met to decide whether to raise rates for the first time in nearly 10 years.

Investors were left feeling as if they were waiting for Godot because the Fed's much-anticipated rate rise never happened and the lack of action put the markets into what some are calling "policy purgatory." The Fed's decision not to raise rates in September exacerbated the fragile state in which markets have existed since China devalued the yuan. As a result, investors experienced the worst quarter in four years, with $11 trillion wiped off the value of global stocks in the third quarter.1

Here's a closer look at how headlines shaped September's ETF flows:

Despite down markets and volatility, flows rolled in

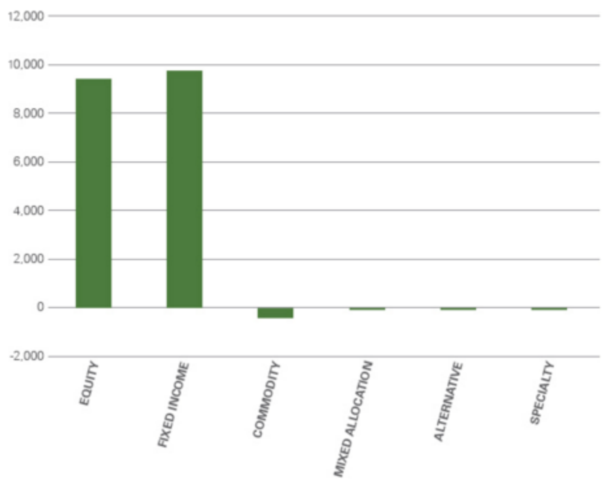
As markets fell, investors sought buying opportunities to deploy record amounts of cash sitting on the sidelines.2 As illustrated by the "September 2015 Asset Category ETF Flows" chart below, by the end of September, $9.41 billion had landed in US equity ETFs and $9.73 billion went to fixed income funds. In total, despite the rockiest three-month period since 2011, almost $44 billion flowed into US-based ETFs during the third quarter with the overall ETF industry standing at $144 billion of inflows for the year.

USA! USA! USA!

The upward revision of the US economic growth rate in the second quarter, combined with contraction in China and tepid growth in Europe, led to a resurgence of interest in US exposures in September. US-focused equity ETFs attracted just under $10 billion of net inflows for the month while investors pulled funds out of global, currency hedged and international funds.

Currency hedged funds have dominated equity ETF investments in 2015 with more than $45 billion in net inflows. However, the heavy rotation to US equity ETFs during September put them on par with inflows to currency hedged funds over the last six months.

September 2015 Asset Category ETF Flows ($M)



Source: Bloomberg, State Street Global Advisors, as of 9/30/2015

De-risking in Health Care and Financials

As the market volatility and negative sentiment from August bled into September, several sectors saw waves of selling as investors reduced tactical positions.

As depicted by the "September 2015 Equity Sector ETF Flows" graph below, Health Care ETFs, which had seen the highest inflows and best performance within equity categories so far in 2015, saw outflows of more than $600 million during the month, reducing year-to-date asset gains to $9.23 billion. Selling was prompted by profit taking as well as a tweet by Democratic presidential candidate Hillary Clinton that indicated her concerns of price gouging by biotech companies. Financials, which tend to sell off in times of high market volatility, saw the largest asset reduction in all ETF equity sectors with outflows of $881 million.

Click here for complete reading

We're in the First Inning with Active ETFs

October 2, 2015

Authored by:
James E Ross
Global Head of SPDR ETFs
State Street Global Advisors

I'm often asked about the future of active ETFs.

For perspective, I see the entire ETF industry itself as being in the third inning of a nine inning game. But active ETFs are just settling into the first inning. Like with most "new" things, some figured active ETFs would have an immediate and significant impact on the industry; however, active ETF growth trends have been more in line with the growth trends of traditional passive ETFs when they were first introduced.

Some historical perspective

The first active ETF may have been launched in 2008; however, between 2008 and 2011 less than 30 funds were launched. The next three years saw approximately 100 active ETFs launched, with 12 new entries so far this year. Today, with about $21 billion invested in 131 or so actively managed US ETFs, these funds represent only a small fraction of the more than $2 trillion invested in ETFs.1

But let's take a step back to gain some perspective. ETFs recently surpassed $2 trillion in assets, but it took time for investors to understand the advantages of passive ETFs and for these innovative vehicles to gain broad adoption.2 For instance, it took nearly five years for the first US ETF, SSGA's SPDR® S&P® 500 ETF [SPY] to surpass $10 billion in AUM.3

Where do we stand today?

The requirement for active and passive ETFs to disclose their holdings on a daily basis creates concerns about front-running, the practice of investors trading on advance information. While these worries continue to limit the launches of certain active equity ETFs, it's a different story for fixed income. Remember, it's difficult for investors to front-run fixed income strategies due to the way the bond market works. Although individual investors can trade stocks electronically right along with institutional investors, the bond market remains an over-the-counter market lacking in liquidity and price transparency for all but the most liquid bonds.

Because individual investors cannot easily replicate an active fixed income ETF, they tend to dominate the active space, especially those with high profile active managers with great name recognition. Note, the SPDR DoubleLine Total Return Tactical ETF [TOTL], a collaboration with Jeffrey Gundlach and DoubleLine Capital, recently surpassed $1 billion in AUM since its launch in February.4

Challenges ahead

Active ETFs face hurdles apart from the issue of transparency. Some I think will be cleared with time. Remember, any active product generally needs a 3-year track record to show its merit to an investor base. And, we could be entering a market where investors begin to look more favorably on active funds as correlations have decreased, volatility has returned and dispersions may increase.

Cost is another factor we think investors will continue to wrestle with. There has always been premium pricing within the active management world. And these active ETFs are generally more expensive than passive products. Active ETFs do tend, however, to be cheaper than active mutual funds. According to Morningstar data as of September 29, 2015, the average active equity mutual fund has a 1.58% net expense ratio (2.24% gross), compared to a 0.90% net expense ratio for the average active equity ETF (1.30% gross). The average active fixed income mutual fund has a net expense ratio of 1.25% (3.86% gross) versus a 0.58% net expense ratio (0.76% gross) for the active ETF counterpart.

Finally, as it was with passive ETFs, education will drive how investors evaluate and use active ETFs. SSGA's An Active ETF Due Diligence Checklist can give you a thorough framework to analyze active ETFs. In my next post, I'll discuss our due diligence checklist in some detail.

1State Street Global Advisors, Bloomberg, as of 8/31/2015
2State Street Global Advisors, Bloomberg
3State Street Global Advisors, Bloomberg
4State Street Global Advisors, as of 8/17/2015

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Is My Business Development Company (BDC) Broken?

August 2015

Authored by:
John Cole Scott, CFS
CIO & CCO
CEF Advisors

BDCs have had a rough 12 months with many investors wondering if the sector is broken. The 43 debt-focused BDCs ended October 7, 2015 at an average -13.9% discount, after healthy +7% average rebound from the -20%+ discount lows seen in recent weeks. This is still very far from their 10 year average discount of only -0.41%. Upon further review, over the last ten years BDCs ended each year at a premium five times with an average +12.4%; while they ended the year at discounts five times with an average of -11.8%. If you exclude the 2008 financial crisis (not a common event) the average discount is -6.6%. The debt BDC sector currently has an average yield of 11.2%, or almost 3% income a quarter.

When investors see BDC yields, many think the portfolio must just be "junk bond like" exposure. CEFA backs out discounts and accounts for leverage to get a sense of what the portfolio manager has to do to hit the board of director's dividend policy. We call this Leverage Adjusted NAV Yield. For debt BDCs it is currently 6.8% and, for comparison, the average taxable bond CEF has a Lev Adj NAV yield of 5.8%; only 1% lower than BDCs. We think this shows BDC portfolios are not as risky as some fear.

BDCs are diversified public funds that primarily invest in US private or micro-cap companies. They raise equity capital and borrow to increase lending. They have current leverage of 40% with average leverage cost of 3.7%. It is comprised of both fixed and variable rate borrowing. For the past 2 years BDCs have yet to trade above their peak December 2013 levels. The concerns have been about dividend levels and risk to future net asset value pricing (NAV). However, we think investors have overreacted and miss some key information about the sector and the funds themselves.

BDCs are regulated by the 1940 Act and FINRA. They mark each investment's fair market value (FMV) quarterly and offer more transparency than other investment vehicles that loan out money to private companies like banks or mortgage REITs. While they are leveraged, they also use far less leverage then mortgage REITs and banks.

The BDC sector has 3700 companies that have been invested in by the 43 BDCs. 75% of these loans are either 1st Lien Sr. Secured (54%) or 2nd Lien Sr. Secured (20%). They are generally safer than unsecured loans. 75% are variable rate in nature. When rates go up, the payments to the BDCs will typically go up as well. It needs to be noted that some loans have LIBOR floors and there will be a delay for when income increase to the BDC for these loans. However from 2004 to 2007 when LIBOR went up about 4%, and average BDC dividend level went up over 4% as well. In both third quarter 2015 and the previous year, there were more dividend increases vs. decreases for BDCs and the average BDC is currently showing 98% dividend coverage with only 88% debt/loan exposure and 12% equity for their portfolio.

BDC loans are also not long-term commitments, with an average maturity of 4.4 years; and it is not uncommon for a company to payback a loan early. Typically in order to get a second, often bigger, loan at better terms (lower cost). 76% of the loans outstanding are under $25MM in size. There is no other place for non-accredited investors to gain access to this part of the US economy, the middle market, which makes up 40% of the US GDP. As BDCs trade daily, you can buy or sell any day of the week with no lock-up periods or paperwork like other alternative investments.

Why are BDCs so cheap? In our opinion, current fears are caused by four factors:

Factor 1: Oil has had one if its worst declines in the past 12 months (though giving a decent rally the past week).

Energy exposure is only 6.4% of the BDC sectors investments; half the exposure of high yield bonds. Over the past three quarters many BDCs have written down the value of these investments when they deemed it appropriate. How can we track NAV write downs? Debt BDCs have a 1 year average NAV total return (TR) of +7.3% and a 3 year average NAV TR of 27.6%. 10% is generally normal (as experience in the previous 2 year history), so BDCs have "written down NAV" by -2.7% in the past year by our calculations. However, they have experience a 1 year price return (without dividends) of -17%.

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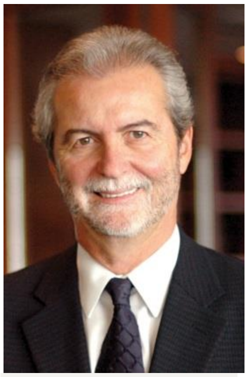
Economic Outlook

October 2015



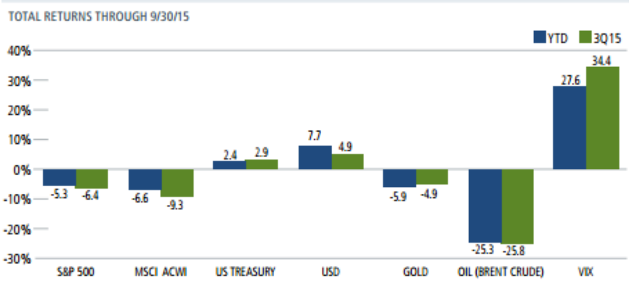
Authored by:
John P. Calamos, Sr.
CEO and Global Co-CIO
Calamos Investments

The third quarter proved difficult for investors as apprehension about slowing global growth and monetary and fiscal policies converged. As Figure 1 shows, volatility soared while equities declined sharply and commodities plummeted. Heading into the final months of the year, our positioning is cautious but reflects our view that the markets offer many opportunities, particularly among growth-oriented equities and convertibles, along with high yield.

Although we remain positive, we expect elevated volatility to persist due to global growth concerns and central bank policies—including an uncertain Federal Reserve timeline and divergent courses among global central banks. Fiscal policy is likely to remain a focal point of market anxiety, with the U.S. election among the factors figuring prominently in this regard.

We believe the U.S. and global economies are likely to maintain a muted pace of expansion over the near term. The U.S. consumer remains strong, key data points in the euro zone have shown improvement, and China has many tools to avoid a hard landing. In our view, fiscal policy remains a headwind to more robust expansion, with overregulation among the factors challenging entrepreneurship and business growth in a number of economies, including the U.S.

FIGURE 1. 3Q 2015, VOLATILITY SOARS, EQUITY AND COMMODITIES FALTER

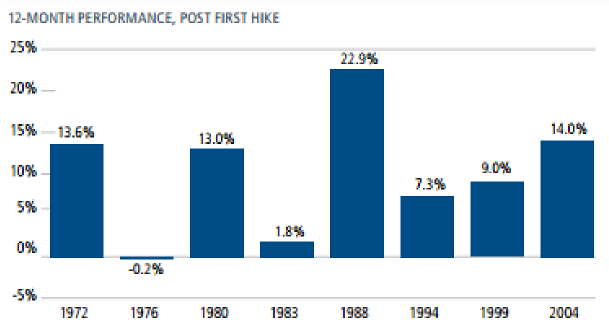


Past performance is no guarantee of future results. Source: Bloomberg.

Turning to the Fed, we believe that whenever a rate increase occurs, it should be viewed as a sign of the overall health of the U.S. economy, and also as an affirmation that the global economy is sufficiently stable. Additionally, our view remains that any interest rate increases are most likely to follow a slow and shallow path.

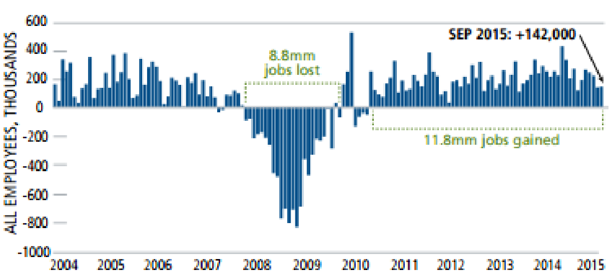
Moreover, a more normal interest rate environment will ultimately benefit the economy and equity markets. While larger corporations have been able to access capital to support their growth, the low interest rate environment has not been as kind to smaller businesses. Because interest rates are lower, the margins that banks make on their loans to small businesses have been lower too. This has contributed to banks' reluctance to lend. If rates were higher, banks would be more likely to lend, provided that the economy was also growing. Small businesses are an important engine of job growth, so with more capital, they would be better able to hire more people, which would in turn support economic growth. Further, as illustrated in Figure 2, stocks have tended to perform well during the first year of an interest rate increase.

FIGURE 2. S&P 500 RETURNS AFTER RATE HIKES



Past performance is no guarantee of future results.
Source: Cornerstone Macro. "Positioning For A Fed Tightening Cycle," September 16, 2015.

FIGURE 3. CHANGE IN TOTAL U.S. NONFARM PAYROLL EMPLOYMENT



Source: Bureau of Labor Statistics.

U.S. Equities

We continue to believe the U.S. stock market is in a reset period, as investors contemplate the prospect of slowing global economic growth, mixed messages from the Fed (potential tightening) and the continued easing from other central banks (Japan, China and the ECB). Market participants seem concerned about the central banks' inability to manufacture inflation after several years of nearzero interest rates. These concerns have resulted in higher volatility, catching many investors off guard.

While recent job growth data has fallen short of expectations, our view is that the U.S. can still continue on its slow growth course through 2015. Although corporate earnings estimates have come down and commodity overcapacity will create pockets of weakness, other favorable factors should result in moderate growth. Most notably, positive job growth over the longer term (Figure 3), low interest rates, and low energy prices are contributing to strong U.S. consumer activity (Figure 4). Also, a slowly expanding global economy can further support the U.S.

As noted, we expect elevated volatility to persist over the next several quarters, due to both well-entrenched concerns as well as growing uncertainty around fiscal policy and the 2016 election. The recent biotech sell-off provides one example of how the election may influence the markets, as presidential candidates' comments regarding drug pricing fueled a correction, despite elections being over a year away.

Although markets have been unnerved by the Fed's recent comments and a policy misstep cannot be ruled out, we do not believe a move to tighten monetary policy will upend the economy or the markets over the longer term, particularly given our expectation for a slow and shallow rate-increase path. In an environment of more muted economic growth where earnings growth is more scarce, we believe growth equities remain more attractive than value stocks. Figure 5 supports this view, illustrating that large-cap growth has outperformed large-cap value when trading at a relative discount to forward P/E.

Recent volatility and a sudden reversal of momentum stocks, combined with a rush into commodity and value stocks, has caught investors off guard in an already difficult market. Figure 6 shows the sudden reversal of momentum stocks, driven mostly by pressure on biotech stocks versus the laggards of the last year: commodity and value stocks. While we will continue to see bear market rallies in commodities, it is our view that the market will eventually focus on the fundamentals, including positive earnings growth and clean balance sheets. So, for the time being we are in the "mean reversion camp."

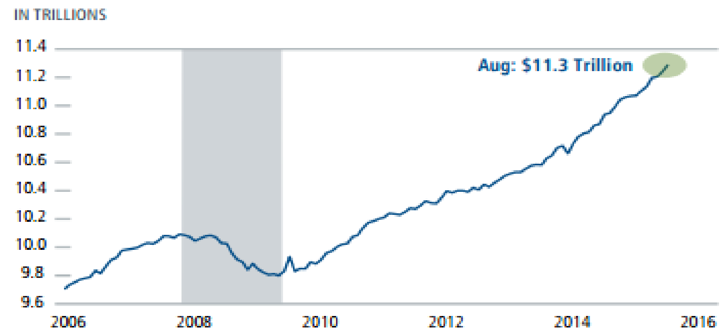
International Markets

Over the quarter, international equity markets fell across the board (Figure 7). Emerging market equities began to underperform in late May due to concerns surrounding the Chinese equity markets, while developed markets remained relatively more resilient. Conditions became more inhospitable globally when the People's Bank of China (PBOC) announced a change to renminbi policy. Not surprisingly given fears of slowing global growth, markets within commodity-export-dependent economies performed worse over the quarter. By sector, cyclicals underperformed globally, with the steepest declines in energy and materials. While we did see some resilience in the more defensive consumer staples and utilities sectors, other historically defensive sectors, such as health care and telecom, sold off with the broader market.

Europe

Although employment and growth remain weak, we have seen improvements in data, particularly within Germany and Spain. Positive economic surprises and PMIs continue to trend well, especially relative to other regions (Figure 8). Fiscal austerity is also becoming less of a drag, although the Syrian refugee situation could create new economic pressures on the region. We are closely watching for signs of flagging business confidence in the wake of well-publicized company-specific misfortunes in autos and mining. But if consumer and business confidence remain resilient, we'd expect fundamental economic data to remain resilient as well. Euro zone companies should benefit from this stabilization as well as from several tailwinds to earnings, including lower commodity prices, lower rates reducing funding costs, and a weaker euro improving competiveness of exports, which should drive margin expansion.

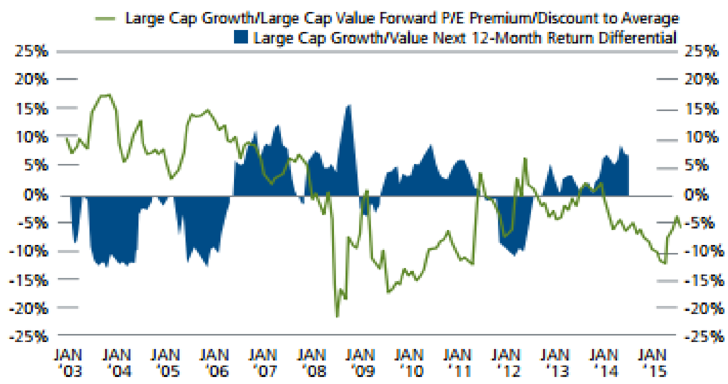
FIGURE 4. U.S. REAL CONSUMER SPENDING



Source: Cornerstone Macro, September 29, 2015. Recession indicated by shaded area.

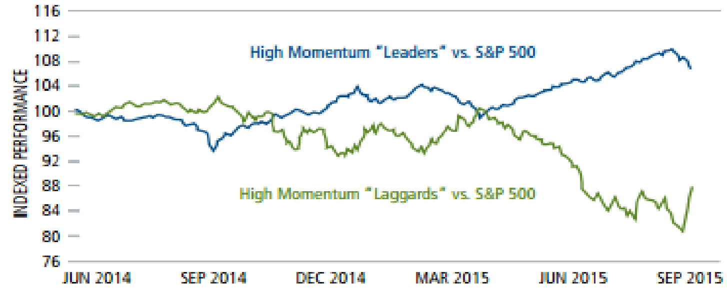
FIGURE 5. LARGE-CAP GROWTH REMAINS ATTRACTIVELY VALUED VERSUS LARGE-CAP VALUE

DECEMBER 31, 2002 TO SEPTEMBER 30, 2015



Past performance is no guarantee of future results.
Source: Morningstar and CapIQ. Forward P/E premium/discount is the average since 12/31/02.

FIGURE 6. REVERSAL OF TREND OR MEAN REVERSION?



Past performance is no guarantee of future results.
Source: FactSet and Goldman Sachs Global Investment Research

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A Wooden Horse Full of Acorns?

October 2015

Authored by:
Gary Stroik
VP, CIO and Lead Portfolio Manager
WBI Investments

Today's investor doesn't have to look far to find someone predicting dire consequences just around the bend. Forecasts of impending doom have been around a long time.

According to legend, Cassandra was a Trojan princess cursed by the god Apollo with the ability to see the future, but to have no one believe her. Among her many prophesies was her warning that the large wooden horse the Greek soldiers had rolled up to the gates of the city was dangerous, and if brought inside the protective walls, would lead to the destruction of Troy. When her advice was ignored, she tried to set the horse on fire herself, but was restrained by her fellow citizens – who thought she was insane. That night, the Greek warriors who had been hiding in the infamous "Trojan Horse" crept out and opened the gates to the fortress city to the rest of the Greek army, and Troy was indeed destroyed.

Not all forecasts prove to be so accurate. A well-known children's story tells of Chicken Little, who is struck on the head by a falling acorn. She flies into a panic and runs about crying out a warning that "The sky is falling; the sky is falling!" On her way to tell the king of the impending disaster, she meets a duck and goose who join her. Unfortunately for the gullible little troupe, they also meet a fox who offers to show them the way. He leads them into his den, and their world does indeed come to an end – although the sky has yet to fall.

In one case, failing to heed a timely warning leads to disaster; in the other, following the forecaster of doom is a fatal error. But here's the funny thing about financial predictions: whenever you hear someone making a prediction that seems to make a lot of sense, there's probably someone else making an equally plausible case for an outcome that's very different.

Here are a few plausible predictions making the rounds by similarly plausible alternatives:

PREDICTION		ALTERNATIVE
1. The Federal Reserve is planning to raise interest rates before the end of the year, putting the brakes on a weak and slowing U.S. economy.	or	Normalizing monetary conditions with a small rate hike is the natural outcome of an economic recovery that has created millions of jobs and brought the unemployment rate from 10% in October 2009 to 5.1% in September 2015 (U.S. Bureau of Labor Statistics).
2. The Chinese economy has been slowing since 2010, from a reported GDP growth rate of 10.6% to an estimated 2015 rate of 7% (The World Bank). This slowing of the second largest economy in the world is posing a threat to a global economy already teetering on the edge of recession.	or	The earlier torrid growth of China's manufacturing and export economy was unsustainable, and the current slowdown reflects a transition to an economy with a larger service component and a healthier and more sustainable domestic growth rate. A modern Chinese economy will be a big long-term positive for global growth.
3. Stocks are overvalued and corporate earnings are in decline as consumers pull back on spending.	or	Stock prices are forward-looking. With housing in recovery, auto sales booming, unemployment low and falling, and cheap gasoline prices putting money in consumers' pockets in time for peak holiday spending, stocks are pricing in expectations for growing profits ahead.

REMEMBER THESE PREDICTIONS?

! PREDICTION: Greece will be forced to exit the Euro, triggering a financial crisis and chain reaction that spreads throughout Europe, and eventually the world.
⇒ Outcome: Greece is still in the Euro, and while the people of Greece are certainly suffering through hard times, the rest of Europe has been largely unaffected.

! PREDICTION: The outbreak of the Ebola virus will become a pandemic, shutting down travel and international commerce, leading to panic and bringing the global economy to a crawl.
⇒ Outcome: While a terrible tragedy for those affected, the feared spread of the disease did not materialize, and the global economy has not been harmed.

! PREDICTION: A boom in housing prices and rampant sub-prime lending practices will contribute to a crisis that causes a massive recession and the near collapse of the global financial system.
⇒ Outcome: Okay, that one happened.

In the face of conflicting views, how well can someone tell what's really likely to happen? Which predicted events will have the effect of an acorn on the noggin, and which will be the financial equivalent of an army of attackers inside the gates?

Click here for complete reading

Recreating a tiger: making India's infrastructure work

September 2015

Authored by:
Kenneth Akintewe
Senior Investment Manager, Asian Fixed Income
Aberdeen Asset Management

India is renowned for its assortment of wild and wonderful wildlife. The national animal is the majestic Royal Bengal Tiger but the country is also known for its eponymous elephant. The two animals are apt metaphors for the state of the country's economy and politics over the last 30 years.

India has often shown its tiger-like qualities, for example, when it liberalized the economy in 1991 and more recently, following the election of Prime Minister Narendra Modi. At these times, the government proved it could enact wide-scale structural reforms to boost growth. In between, there have been periods of political inaction, corruption and economic stagnation, which have given the country the reputation of a lumbering elephant and perennial underachiever.

Modi's triumph in last May's election signaled that the country's vast populace wanted a new start for India. Over a year later, Modi's government has made a surprising amount of progress, passing 47 bills into law. In particular, it aims to pass through amendments to the country's 19th century Land Acquisition Bill, which outlines how the government acquires private land for industrialization, infrastructure development and urbanization. This is a cornerstone of Modi's program of reforms to set India back on the right path. Recent developments suggest the amended Bill will be passed, but in a slightly watered-down version.

Infrastructure is a key driver of increased productivity and growth. For India, there is a great need for more investment in infrastructure. In the World Economic Forum's 2014-15 Global Competitiveness Report, India is ranked 71 out of 144, behind countries like Hungary, Rwanda and Colombia. In terms of infrastructure, India was ranked even worse at 87. In the World Bank's 2015 Ease of Doing Business report, India fared even worse, ranked 142 out of 189. The road, rail and other transportation networks are very poor, restricting the flow of goods and services. Due to a poor rail service, around 65% of freight is transported on the country's log-jammed roads. The power supply is unreliable, making companies reliant on expensive generators that can cost two to three times more. Access to clean water and proper sanitation is a problem for large parts of the population. In agriculture, a lack of proper irrigation leaves farmers reliant on unpredictable and sometimes volatile rainfall, a lack of which can impact rural incomes and drive acute food inflation.

Population growth has outstripped construction, putting a severe strain on public transportation and on electricity and water networks. Past governments have not helped, often being guilty of bureaucratic delays in approving projects, corruption and enactment of unpredictable regulations. These are significant challenges for a vast country like India – the World Bank estimates that India requires infrastructure investment of up to US$1.7 trillion by the end of the decade. Yet the potential opportunities for expansion and improvement of roads, railways, ports and power plants are enormous.

India's large cities, including Mumbai, New Delhi, Kolkata and Bangalore, stand to gain the most from infrastructure investment. India's urban population is projected to reach 500 million by 2017. Large-scale investment will be required to meet this increase in demand from upgrading metro systems to ensuring clean water supplies and affordable housing. However, India's ailing transportation network is where most opportunities for improvement lie.

The country's railway system requires significant additional capacity. The Indian railway network is spread over 40,000 miles, with 12,000 passenger and 7,000 freight trains carrying around 23 million travelers. Images of adults and even children clinging desperately onto train carriages tell the story better than any words can. Investment is required urgently for business needs as well – the average speed of freight trains in India is 40mph, impeding the efficient delivery of goods around the country.

The government also needs to speed up its building of new roads. Around four million new vehicles and 11 million new two-wheelers hit India's roads each year, but the roads are not currently expanding fast enough. Evidence of the potential rewards of new investment comes from the Golden Quadrilateral Program – a major highway project, which has significantly improved the quality of highways connecting the four largest cities in India. This program boosted productivity by reducing companies' inventory and transportation costs and allowing them to switch to cheaper suppliers.

India's ports are also in need of an overhaul. The average time for clearance for ships is several days, much longer than the few hours it takes in other countries.

The good news is that the Indian government has already started to address the elephant in the room. It has targeted US$1 trillion in infrastructure spending by 2017. A National Infrastructure and Investment Fund has been proposed to support new projects and boost investment. The Fund has an initial budget of Rs200 billion (just over US$3 billion) and the government could raise three to four times this amount from the markets and use the funds to get cash-strapped projects moving, alongside planning new investments.

However, the government will also need to engage private enterprises as government spending alone will not be enough to meet India's diverse infrastructure challenges. One way this may be done is to restructure public-private partnerships (PPPs) to allow the private sector to invest in the growth story of the country.

Getting the private sector on board has its own challenges. In addition to the challenges facing the public sector, high debt levels and weak balance sheets hamper many private companies. The public banking system is hampered by Rs3 trillion (US$50 billion) of non-performing loans,1 limiting the capacity of banks to provide much needed credit to companies. Furthermore, cash flows from infrastructure are long-term in nature (often 20 years or more), while long-term bank lending to corporates is not the norm in India. A high return on projects is often required and banks can have strict lending standards. All of this may explain why private sector investment has fallen somewhat recently and underlines the importance of banking sector reform in supporting infrastructure. The National Infrastructure and Investment Fund will be vital if the private sector loses some of its appetite for infrastructure.

Like China, India will need to seek significant foreign investment and borrow from abroad to support infrastructure. Some of India's industries have already done this and are highly competitive - for example, information technology and some auto companies. The government will have to ensure its other industries follow their lead.

India is a country where the pace of change can often appear slow. Political opponents are renowned for regularly thwarting reforms. If India is to fulfill its vast potential, it will have to put infrastructure reform and its full implementation at the heart of national economic policy. Perhaps then, we will see the country regain its reputation as a strong, agile tiger rather than the plodding, meandering elephant of old.

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2014 AGENDA & PRESENTATIONS ARCHIVE

U.S. High Yield Outlook

October 2015

Authored by:
Jeremy Hughes, CFA
SVP, Co-Portfolio
Calamos Investmentsk

Authored by:
Christopher Langs, CFA
SVP, Co-Portfolio
Calamos Investmentsk

While the economic benefit of quantitative easing (QE) is often debated, its impact on risk appetite within the high yield market seems clearer cut. From March 31, 2009 to June 30, 2014, the high yield market returned nearly 18% on an annualized basis, with spread to worst dropping from 1,675 basis points to 372 basis points over comparable Treasury bonds.

More recently, as the tailwind of QE has waned and the Fed has tried to set the stage for rising short-term interest rates, the tide has turned against the high yield asset class. As Fed uncertainty combines with apprehension about global growth and falling commodity prices, investors have found high yield risk taking increasingly unpalatable. Since June 30, 2014 through September 30, 2015, the high yield market has fallen 5.4%, with bonds rated CCC and below and those in the energy sector feeling the brunt of the selloff, down 14.7% and 23.6%, respectively. Spreads have widened to 665 basis points (Figure 1) and yields have risen to more than 8%.

FIGURE 1. THE END OF QE AND AN IMPENDING RATE HIKE HAVE PROPELLED HY SPREADS HIGHER

Past performance is no guarantee of future results. High yield bonds are represented by the BofA Merrill Lynch U.S. High Yield Index.
Source: Bloomberg.

Despite recent market sentiment, we believe there are opportunities within the high yield market to generate compelling returns over the next 12 months, especially relative to other segments of the fixed income market. Elevated market volatility is likely to continue as investors grapple with economic data, the Fed and the feedback loop between the two. However, we believe the current levels in the high yield market offer attractive opportunities for long-term investors.

Have We Reached the Late Stage of the Credit Cycle?

There are growing indications that the credit cycle has entered an advanced phase, wherein high yield bonds could face more challenges. Historically, during these periods, defaults have tended to pick up, in turn leading to a widening of spreads.

Typically, the latter stages of the credit cycle are characterized by a large amount of debt-financed merger-and-acquisition activity and stock buybacks and dividends. From an M&A standpoint, 2015 has generated more than $3 trillion in deal volume, which is already the second largest year on record behind 2007. There have been 12 deals that have resulted in at least $10 billion of bond issuance to finance 2015 acquisitions.

Additionally, there's been a material change in the way that companies are using the proceeds from new high yield issuance. Since the financial crisis, 55–60% of new issuance proceeds typically have been utilized for refinancing purposes, including 55% in 2014. However, year to date through 3Q 2015, the number has declined to 43%, suggesting that balance sheets are more aggressively levered up than in recent years.

Other signs that indicate we are late in the credit cycle include tightening lending conditions, as measured by a weakening Chicago Fed's National Financial Conditions Index, a flatter yield curve, a stronger dollar, and banks decreasing the credit they extend to energy issuers. These tightening lending conditions have led to higher absolute bond yields since the lows of 2014, with investment-grade yields rising 100 basis points to 3.5% and high yield rising 300 basis points to 8%.

While issuance in the investment-grade market continues at a record pace for 2015, high yield issuance has fallen 15% year to date. Retail outflows from both investment-grade and high yield debt mutual funds are another strong indicator of tighter lending conditions, and each market has experienced more than $10 billion of outflows, year to date.

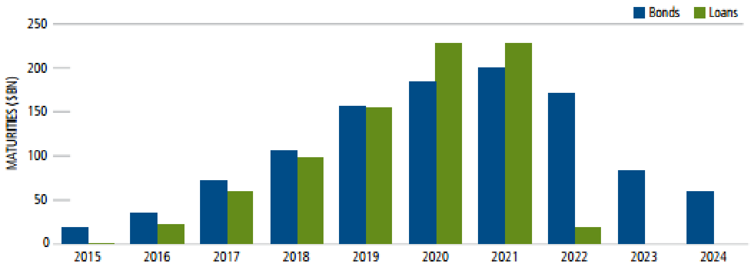
Defaults Likely to Rise, But Remain Below Long-Term Average

For the past few years, defaults have been trending well below the long-run average. However, the tighter lending conditions that have emerged will likely lead to an increase in defaults. Moody's Investors Services projects that default rates will rise to 3.4% over the next year, versus 2.3% over the past 12 months. Even so, we would note that this projection still places defaults well below the average default rate of 4.5% over the past 25 years (Figure 2).

Despite the increased stress on the energy sector (which represents approximately 13% of the U.S. high yield market), we believe defaults should remain moderate—both in energy and across the broad market—because issuers have taken advantage of the low borrowing costs in recent years to refinance their debt. These refinancings provide two key benefits. Not only have they reduced companies' interest expenses, but they also have pushed out debt maturity profiles (Figure 3). From now until the end of 2017, only $125 billion of high yield bonds are coming due, which should keep a ceiling on default rates. The runway to default is considerably longer than typical at this stage of the cycle.

FIGURE 3. MANAGEABLE MATURITIES SUPPORT LOW DEFAULTS

HIGH YIELD MATURITY SCHEDULE



Source: BofA Merrill Lynch Global Research.

Are High Yield Valuations Attractive Today?

If it is true that we are in the latter stages of the credit cycle, is there still an opportunity within the asset class? Some market participants have argued the selloff in high yield is really just a selloff in energy names and with oil prices unlikely to experience a "V" or even "U" shaped recovery, they don't want to invest in the asset class. However, the reality is that the market selloff has extended beyond energy and mining, to include telecom, chemicals, health care, and cable. Even if we strip out energy and mining— the two most stressed industries and those most likely to generate higherthan-average default rates—the yield and spread for the market is 7.36% and 585 basis points as of September 30, 2015.

So, is the market pricing in enough of the likely risks and headwinds for the asset class? Historically, high yield investors have demanded a spread that is in addition to their default loss experience. Due to liquidity challenges and the perceived higher risk of high yield versus Treasury bonds, investors have required an average of 365 basis points above and beyond the losses from defaults. Using this average, we can calculate what the market's implied default rate is at current spreads. This can help determine if the market looks attractive at current valuations. Additionally, we can calculate where spreads should be given different default expectations.

What Happens If Defaults Rise In Line with Expectations?

What if defaults meet Moody's expectations over the next year? If Moody's predictions prove accurate and defaults increase to 3.4% over the next year, using the current market price of $92 and a $40 recovery, the loss expected from defaults would be 177 basis points. When we add back the long-term average risk premium of 365 basis points that investors have demanded to invest in high yield, the sum is 542 basis points—that is, 123 basis points lower than current spread levels. By this measure, high yield appears attractive at current valuations.

Over the past 15 years, when the excess spread (defined as the market spread less the loss from defaults) is more than 465 basis points at the end of a month (100 basis points greater than the average), high yield has generated strong returns over the following one-year period. In the 43 months when this has happened since 2002, the high yield market has posted positive one-year returns every time, with a median return of 19%.

What Happens If Defaults Soar?

What would happen if defaults triple from current levels? If defaults triple from 2.3% to 6.9% over the next year, that would equate to a loss from defaults of 360 basis points. Adding in the 365 basis points of risk premium leads to a spread of 725 basis points, which is 60 basis points wider than current levels. One might assume that a 60 basis point widening would lead to a negative return for the asset class over the next year. However, given the high yield market's current duration of 4.3 years, the spread widening would cause a price loss of 2.58%. When added to the current high yield carry from coupon interest of 7.37%, the total return over the next year would still be a positive 4.79%.

What Could Push High Yield Returns into Negative Territory?

Where would spreads need to trade a year from now to result in a negative total return for high yield over the next year? If we offset our entire carry of 7.37% with price return losses, that equals a spread widening of 172 basis points to 837 basis points. Applying that spread to our earlier equation on excess spreads would lead us to an implied default rate of 10.3% over the next year in order for high yield to generate a negative return. Recessions typically cause defaults to peak between 8% and 12%, while the financial crisis experienced peak default rates of nearly 15%. So, this analysis suggests negative returns for the asset class over the next year would be unlikely absent a recession.

Of course, these are all hypothetical examples and assume that the risk premium investors have required historically continues into the future, but in our view, it does illustrate just how powerful the large coupon component of total return is to the high yield market, especially at current levels.

Conclusion

There are many reasons why high yield spreads have widened so dramatically over the past 15 months, many of which are warranted. Certainly a global economic slowdown, a Fed intent on raising interest rates, a sustained period of low commodity prices, and default rates ticking higher are all reasons to give investors pause about the asset class.

However, valuations already reflect a number of the headwinds. Given the current spread of +665 basis points, we believe there is ample cushion in the high yield market's coupon to absorb these challenges, and that the asset class can generate solid returns over the next 12 months, especially relative to other fixed income alternatives. While there likely will be more periods of volatility as the markets deal with these issues and digest each economic number, we believe long-term investors may well be rewarded for an allocation to high yield at current levels.

Click here for complete reading

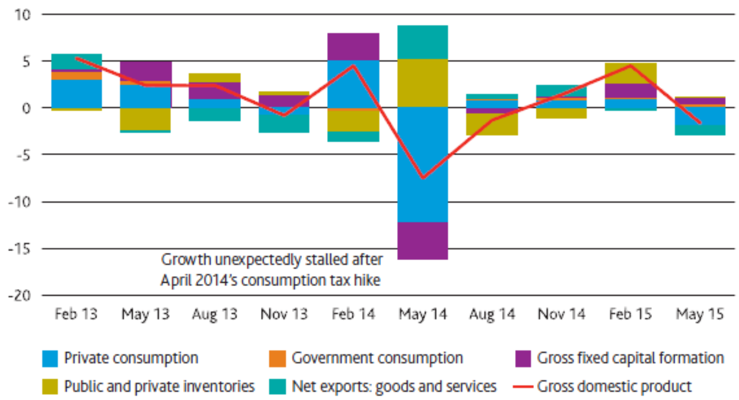
Rebuilding the economy, reworking the market

September 2015

While it is tempting to focus on the developments happening in Japan's economy, investors should also consider events unfolding at the corporate level. With a selective approach, investment in Japan could see significant growth resulting from economic revitalization and structural reform.

Japan's economy: the "Abenomics" story so far

Quarterly percentage points (annualized growth over the quarter) (%)



Source: Thomson Reuters Datastream / Fathom Consulting. For illustrative purposes only.

The Bank of Japan has been given an inflation target of 2%, a level that has yet to be attained. The Bank's governor, Haruhiko Kuroda, recently admitted that the undertaking may fall behind schedule if oil prices don't recover.

Source: Wall Street Journal, August 2015.

Will the corporate tax cut make a difference?

In March, the Japanese parliament approved a corporate tax cut of 3.29% to encourage private investment. The cut will be implemented over two fiscal years and could save companies around ¥400 billion (US$3.3 billion).

That said, only around 30% of Japanese companies pay any taxes - the rest are either unprofitable or have gained exemptions due to earlier losses.

Pros and cons of a weaker yen

Increased exporter competitiveness and profitability boosts hiring, raises in pay and increased spending

Benefits of weak yen/ cheap energy are yet to show and may be over-stated

- First, many large corporations – and their suppliers – have moved production offshore to take advantage of cheaper labor costs and to be closer to growth markets. Most build local plants overseas, reducing the impact of currency volatility.
- Second, Japan has yet to solve the problem of its long-term energy needs.

The yen has declined almost 30% against the USD since the end of 2012

Source: Datastream, August 31, 2015.

A weak yen boosts profitability of exporters, but raises import costs, which may drag on growth.

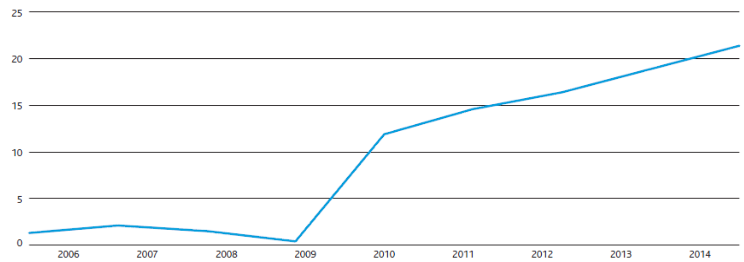
Corporate Japan

There are more than 3,000 listed companies in Japan. Price rises and wage hikes are seen as key to boosting consumer spending under "Abenomics." Despite the plan's initial successes from aggressive monetary easing and fiscal stimulus, Abe's goal of 2% inflation remains elusive.

Corporate governance is the new language...

Japan's Stewardship and Corporate Governance Codes – "twin axles of a car"

Japan average % of board consisting of outside directors (Market-cap weighted)



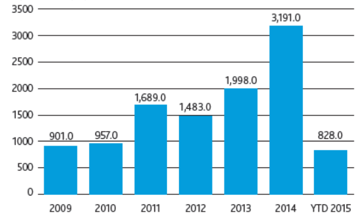
Source: JPMorgan, November 2014. For illustrative purposes only.

Increased share buybacks

Growing focus on shareholder returns

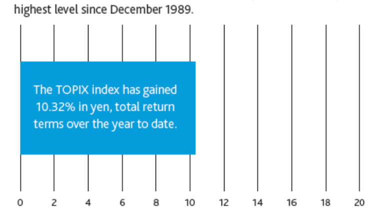
Aggregate TOPIX actual share buybacks

Japanese Yen (bn)



Sources: Nikkei Needs, Morgan Stanley Research, June 5 2015. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index

In May, the market capitalization of stocks listed on the Tokyo Stock Exchange (TSE) reached a record high. Market capitalization for the first section of the TSE reached ¥591.3 trillion (US$4.93 trillion), the highest level since December 1989.



Source: Datastream, August 31, 2015. For illustrative purposes only.
PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RESULTS.

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Fund Updates

- Aberdeen Greater China Fund, Inc. Announces Payment Of Distribution – September 28
- Aberdeen Asia-Pacific Income Fund, Inc. Announces Record Date And Payment Date For Monthly Distribution – October 9
- Blackstone/GSO Closed-End Funds Declare Monthly Distributions – September 30
- Calamos Closed-End Funds CHICHYCSQCGO Announce Monthly Distributions for October 2015 – September 29
- Cushing® Energy Income Fund Announces Monthly Distribution – October 1
- Certain Deutsche Closed-End Funds Declare Monthly Distributions – October 9
- Duff & Phelps Closed-End Funds Announce Dividends – September 18
- Eagle Growth and Income Opportunities Fund Declares Monthly Distribution of $0.109 Per Share – October 5
- Eaton Vance Closed-End Funds Release Estimated Sources Of Distributions – September 30
- Federated Investors' Closed-End Municipal Funds Declare Monthly Dividends – October 12
- First Trust MLP and Energy Income Fund Increases its Monthly Common Share Distribution to $0.1183 Per Share for October – September 21
- First Trust Advisors L.P. Announces Distributions for Exchange-Traded Funds – September 22
- Guggenheim Investments Declares Equity Exchange Traded Funds Quarterly Distributions – September 18
- Guggenheim Investments Exchange-Traded Funds Declare Monthly Distributions – September 30
- Invesco Closed-End Funds Declare Dividends – October 1
- The Master Income ETF HIPS Declares Monthly Distribution – September 21
- MFS Releases Closed-End Fund Income Distribution Sources for Certain Funds – September 21
- Certain Morgan Stanley Closed-End Funds Declare Quarterly Dividends – September 18
- Neuberger Berman Closed-End Intermediate Municipal Funds Announce Monthly Distributions – October 17
- Purpose Investments Inc. Announces September Distributions – September 21
- Putnam Announces Distribution Rates for Closed-End Funds – September 18
- Putnam Announces Distribution Rates for Closed-End Funds – October 16
- Tortoise Index Solutions Announces Distribution for Exchange Traded Fund (TPYP) – September 23
- Virtus Newfleet Multi-Sector Unconstrained Bond ETF Announces Dividend and Discloses Sources of Distribution – September 22
- Wells Fargo Advantage Closed-End Funds Declare Monthly Dividends – September 25
- WisdomTree ETFs Declare Distributions – September 21

Attractive Yield through Global Thematic Investing

Tuesday, September 29, 2015 | 11:00 AM ET

Bobby Keane:
Thank you Paul and good morning everybody. First and foremost, we'd like to thank Capital Link (announce) for coordinating (inaudible) today's webinar. My name is Bobby Keane. I'm the Director of Distribution and Product Development Clough Capital Partners.

(Chuck) will speak for approximately 20 minutes providing his market commentary and discuss our current fund strategies. Also in align with us this close and fund portfolio manager, (Rob Dancik). As mentioned earlier by Paul, you can type in your question on your computer screen at any time throughout the presentation for towards the end and we will be answering those questions.

Clough Capital Partner is a fundamental theme based global investment manager with offices in Boston and Hong Kong. (Chuck) founded the firm in 2000 after 13 years as chief global investments strategies at Merrill Lynch. We earned a spot and institutional investor, all American Research team for 12 consecutive years.

In addition to that, he also earn a place at the top rank strategist on Wall Street on three separate occasions. As of August 31st, 2015, we managed approximately $4.3 billion in total assets. 1.7 billion in our flagship hedge fund and institutional counts, 2.5 billion and are three close end funds which are the Global Allocation Fund and the (ticker) symbol is GLD. The Global Equity Fund, the (ticker) symbol is GLQ, the Global Opportunities fund, the (ticker) symbol is GLO, as well as 75 million and the open and clough China Fund and the (ticker) symbol is CHNIX.

The three close end funds were launch in 2004, 2005 and 2006 and have a distribution rate of approximately 9 percent. A monthly cash distributions of 12, 11.5 and 10 cents per share. If you have any follow up questions, you could contact me directly at 617-204-3437 or my email is rkeane, which is R-K-E-A-N-E@cloughcapital.com, C-L-O-U-G-H C-A-P-I-T-A-L.com.

With that, it's now my pleasure to turn it over to (Chuck).

Charles Clough:
Thank you Bobby and good morning everybody. My objective for this call is to outline the strategies we felt into the close-end funds and hopefully answer any questions you might have. I think the first thing to note is the emergence of a more difficult and more evolved overall equity market. The global economy is slowing. World Trade is slowing. Profits are coming under pressure in more sectors and that's in spite of some very heavy and aggressive credit infusion on the part of many central banks. So, the equity is beginning to deal with this issue.

Looking at where the vulnerabilities are, we're going to find them in unusual case and unusual places. I think the security that's most vulnerable looking in the years ahead would be the exchanged traded fund. And what I mean by the exchange traded fund is a number of passive investment strategies that essentially bought an index. These strategies we think will face the most difficulty in the years ahead and we think that we're in an environment where active management in particularly on short management.

What we'll have a tremendous leg up. That is not the case in recent years where the primary industries just forge ahead. But it's certainly the case this year and the question is, how long will it last.

Featured Presenter

Charles I. Clough, Jr., CFA
Chairman and CEO
Clough Capital Partners, LP.

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Recent Market Dislocation Offers Current Value in CEF Space

Wednesday, October 14, 2015 | 11:00 AM ET

Mariana Bush:
Thank you very much, Nicolas, for having us and for inviting us to this panel, which I think is very timely the topic of premiums and discounts are very, very timely at this point.

And I'm very excited of our panelists because they live and breathe closed-end funds. In fact, they've been doing that for years and even decades. So we hope you enjoy these comments and the insights from our panelists.
As Nicolas mentioned, there is -- there are a couple of slides, especially the first one, you may want to take a look at it. It's the average premium discounts for the entire closed-end funds universe.

And it shows that over the past 10 years, so it gives you a good big picture of where discounts are relative to where they have been a good framework for our conversation. And with that, let's start talking about valuations on closed-end funds.

Ken, can you tell us about where valuations are, where they've been?

Ken Fincher:
Sure, Mariana, and thanks, good morning, everybody. You know, I'm going to give you sort of a bit of a downloaded data, so I'm going to -- I'm going to go through some of the things that we've seen year-to-date. I think we're going to focus just on 2015.

If you look at, we track 27 different sectors in the closed-end fund space. On price performance, only five of those 27 have shown positive performance year-to-date. Surprisingly, three of those sectors are in municipal sector.

Many people wouldn't have thought it, you know, given the fact that everyone is looking (everywhere) to start to move higher. Municipals have absolutely been the shining start in 2015.

On the net asset and value side, even more importantly, we've seen positive performance out of seven of the 27 sectors. And again, if you look, the four municipal sectors that we track, the national (calendar New York) and even the high yields have all shown positive performance.

It's been a tough year. You know, Mariana's slide shown you discounts and we've seen discounts widen back up. We started the year at an overall discount for about 560 funds, about just south of 7.5 percent, 7.43 percent to be exact as of the end of 9:30, and I know just looking to the end of third quarter, we are about 9.8 percent average discount to net asset value.

So it's interesting to note that as we've seen this widen out, a lot of people have started talking about 2008 and 2009 again, trying to compare what we've seen here recently which is what was witnessed in 2008 and 2009.

If you go back to the -- and I know Mariana has a daily premium discount and you will see the one line, the one on that goes up perhaps to 26 percent, but looking at it on a monthly basis, the widest average discount for the entire universe was about 15.3 percent and that happened in November of 2008.

Featured Moderator

Mariana Bush, CFA
Senior Analyst
Wells Fargo Advisors

Featured Presenters

Brian Binder
Managing Director, President of Deutsche Funds & Head of Fund Administration
Deutsche Asset & Wealth Management

Robert F. Bush, Jr.
Senior Vice President, Director of Closed-End Fund Products
Calamos Investments

Jon Diorio
Director – Product Management and Development Group
BlackRock

Ken Fincher
Senior Vice President and Portfolio Manager
First Trust Advisors

Rennie McConnochie
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Aberdeen Asset Management

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Aberdeen

CALAMOS

Closed-End Fund Advisors

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