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CEF & ETF Monthly Newsletter

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3rd Annual Capital Link Dissect ETFs Forum

Thursday, September 29, 2016
The Metropolitan Club, One East 60th St., New York City

IN COOPERATION WITH

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Financial Advisors and Qualified Investors Attend at No Cost

This Forum has been approved for 8 CFP CE Credits and has been submitted for 8 CIMA/CPWA CE Credits

Please join Capital Link's 3rd Annual Dissect ETFs Forum, which will take place on Thursday, September 29, 2016 at the Metropolitan Club in NYC.

This Forum is organized in cooperation with the New York Stock Exchange and BATS Global Markets.

The Forum will feature industry leaders who through a series of panel discussions deep dive into critical topics related to the trends, developments and outlook of ETFs while reviewing major investment strategies using ETFs.

Capital Link's Dissect ETFs Forum is designed to provide an interactive platform to combine rich educational and informational content with extensive marketing and networking opportunities.

LUNCHEON KEYNOTE SPEAKER

LEE KRANEFUSS
EXECUTIVE CHAIRMAN - **SOURCE**
CO-FOUNDER – **55 CAPITAL PARTNERS**

PANEL TOPICS

- Creating Alpha – Innovation in ETFs
- Changing Landscape of Bond ETFs
- ETF Strategies in Today's Volatile
- ETF Trading: *Exchanges, Listing of ETFs, and Liquidity*
- SmartBeta and Multi Factor ETFs Investing
- Chasing Yield - MLP ETF Investing
- Commodities ETF Investing
- Brexit Panel

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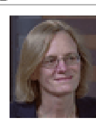

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The Month in Closed-End Funds: July 2016

PERFORMANCE

For the fifth consecutive month both equity CEFs and fixed income CEFs on average witnessed plus-side performance on a NAV basis (+3.11% and +1.04%, respectively). For the sixth month in a row equity CEFs posted a positive return on a market basis (+3.63%), and fixed income CEFs (+1.93%) posted a plus-side market-based return for the eighth month running. For the month of July most of the major U.S. broad-based indices posted returns in the black. The NASDAQ Composite Price Only Index (+6.60) posted the strongest return of the U.S. broad-based indices, followed by the Russell 2000 Price Only Index (+5.90%) and the S&P 500 Composite Price Only Index (+3.56%). Meanwhile, the Dow Jones Industrial Average Price Only Index (+2.80%) and the NYSE Amex Composite Price Only Index (+0.21%) were the relative laggards for July. The global markets recovered quite well after the "Brexit" vote and after witnessing a devastating terrorist attack in Nice, France, with the Xetra Dax Total Return Index gaining 7.49% and the Nikkei 225 Average Yen Price Only Index rising 6.48%. Even the FTSE 100 Price Only Index was able to gain some ground after some fairly steep losses, rising 2.68% for July.

Equities started out the month with a bang, with the S&P 500 logging its strongest weekly return of the year. The markets rebounded sharply after the Brexit-vote concerns and with data showing U.S. manufacturing grew in June at its fastest pace in 15 months. The ISM nonmanufacturing index rose to 53.2 for June from 51.3% for May. The S&P and Dow were catapulted to their highest closing levels in a year, returning to their pre-Brexit levels, after the Department of Labor reported the U.S. had added a better-than-expected 287,000 jobs for June, handsomely beating the consensus-expected 170,000. While investors put on more risk in equities, they continued to be risk averse, pushing the ten-year Treasury yield to a record low of 1.366% on July 8 as crude oil prices tumbled.

Despite the horrific terrorist attack in Nice, where more than 80 people were killed and numerous injured, the Dow witnessed its fourth consecutive record close on July 22. The major indices were in the black for the third straight week as investors cheered news that U.S. retail sales rose 0.6% for June and that China's Q2 GPD growth of 6.7% beat analyst forecasts of 6.6%. The following week U.S. stocks notched a fourth week of gains, with the S&P 500 once again hitting an all-time high. A jump in both telecoms and utilities, often thought of as defensive issues, helped extend the rally as investors started to focus on the July Fed policy meeting, which investors would use to gauge the pace and timing of the next proposed rate hike.

While the NASDAQ closed at its highest closing level in more than a year at month-end, investors focused on the Fed's signal that it is willing to raise its benchmark rate in the fall, near-month oil prices settling at just $41.60 per barrel, and on a tepid Q2 GDP report from the U.S. Commerce Department.

During the month the yield curve for Treasury instruments flattened slightly, with yields from three months to five years rising between 2 and 9 basis points (bps), while the seven- to thirty-year yields declined

The Month in Closed-End Funds: July 2016

- For the fifth month in a row equity closed-end funds (CEFs) and fixed income CEFs witnessed plus-side performance on average, rising 3.11% and 1.04%, respectively, on a net-asset-value (NAV) basis for July.
- For July 24% of all CEFs traded at a premium to their NAV, with 13% of equity funds and 32% of fixed income funds trading in premium territory. Thomson Reuters Lipper's World Income CEFs macro-classification witnessed the largest narrowing of discounts for the month—220 basis points (bps) to 8.15%.
- General Bond CEFs' strong performance (+2.99%) pushed the domestic fixed income CEFs macro-group (+2.46%) to the top of the fixed income universe for the third month in four.
- The rebound in growth-oriented stocks during the month helped push Lipper's Growth CEFs classification (+5.35%) to the top of the equity universe charts for the first month in eight.
- Relatively strong returns from Pacific ex-Japan CEFs (+4.35%) and Developed Markets CEFs (+4.27%) helped catapult Lipper's world equity CEFs macrogroup (+3.72%) to the top of the leader board for the first month in four.

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between 3 and 12 bps for July. The thirty-year Treasury witnessed the largest decline in yield during the month, dropping 12 bps to 2.18%.

For July the dollar weakened against the euro (-0.84%), the pound (-0.16%), and the yen (-0.38%). Commodities prices were mixed for the month, with near-month gold prices rising 2.32% to close July at $1,349.00/ounce. Front-month crude oil prices fell 13.93% to close the month at $41.60/barrel.

For the month 73% of all CEFs posted NAV-based returns in the black, with 93% of equity CEFs and 57% of fixed income CEFs chalking up returns in the plus column. Relatively strong returns from Pacific ex-Japan CEFs (+4.35%) and Developed Markets CEFs (+4.27%) helped catapult Lipper's world equity CEFs macro-group (+3.72%) to the top of the leader board for the first month in four, followed by mixed-asset CEFs (+3.32%) and domestic equity CEFs (+2.77%).

The rebound in growth stocks during the month helped push Lipper's Growth CEFs classification (+5.35%) to the top of the equity universe charts for the first month in eight. It was followed closely by Sector Equity CEFs (+5.08%) and Convertible Securities CEFs (+4.59%). None of the equity CEF classifications posted a negative return for the month, but Natural Resources CEFs (+0.51%) and Utility CEFs (+0.89%) helped pull down the domestic equity CEFs macro-group average. For the remaining equity classifications returns ranged from 1.01% (Energy MLP CEFs) to 3.95% (Core CEFs).

Seven of the ten top-performing individual equity CEFs were housed in Lipper's Sector Equity CEFs classification. At the top of the charts **Tekla Life Sciences Investors (HQL,** one of June's laggards) jumped 10.47% on a NAV basis and traded at a 2.31% discount on July 29. It was followed by **Engex Inc. (EXGI,** housed in the Growth CEFs classification), rising 10.14%; Tekla Healthcare Investors (HQH), posting a 9.82% return and traded at a 0.11% premium at month-end; **ASA Gold & Precious Metals Limited (ASA),** gaining 9.60% and traded at an 11.14% discount on July 29; **New Germany Fund, Inc. (GF,** warehoused in the Developed Market CEFs classification), rising 7.76% and traded at an 11.75% discount at month-end; and **Tekla Healthcare Opportunities Fund (THQ),** gaining 7.54% on a NAV basis and traded at a 10.25% discount on July 29.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 5.01% to positive 10.47%—was narrower than June's spread and more positively skewed. The 20 top-performing equity CEFs posted returns at or above 6.13%, while the 20 lagging equity CEFs were at or below 0.18%.

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	93	63	33	13	86
Bond Funds	57	75	22	32	67
ALL CEFs	**73**	**70**	**26**	**24**	**75**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	JULY	YTD	3-MONTH	CALENDAR-2015
Equity Funds	3.11	10.00	5.84	-7.95
Bond Funds	1.04	7.93	3.59	1.27
ALL CEFs	**1.89**	**8.82**	**4.57**	**-2.62**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	JULY 2016	CALENDAR-2015
ALL CEFs	**14**	**24**

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

3 MONTHS THROUGH 6/30/2016	241
COMPARABLE YEAR-EARLIER 3 MONTHS	194
CALENDAR 2015 AVERAGE	381

Source: Thomson Reuters Lipper

Only 17 CEFs in the equity universe posted negative returns for the month. The two worst performing funds were housed in the Emerging Markets CEFs classification, with **Turkish Investment Fund, Inc. (TKF)** at the bottom of the pile. TKF shed 5.01% of its June-closing NAV price and traded at a 13.59% discount at the end of July. **Mexico Equity & Income Fund, Inc. (MXE)** posted the next poorest return in the equity universe, declining 3.07%. MXE traded at a 12.50% discount on July 29.

After hitting historic lows at the beginning of the month, Treasury yields at the long end of the curve rose toward the middle of the month as Brexit fears began to recede. The ten-year Treasury yield closed at 1.59% on July 20, hitting a closing high for July. Yields declined slightly at month-end as investors contemplated future central bank intervention. Yields declined at the long end of the curve, while at the short end they rose (except for the one-month yield, which declined 1 bp to 0.19%). The ten-year yield declined 3 bps to 1.46% for the month. For the fifth consecutive month domestic taxable bond CEFs (+2.46%, the group leader for the third month in four) witnessed a plus-side return on average, while municipal bond CEFs (-0.18%) suffered their first month in 13 of negative returns on average. For the second month in a row World Income CEFs (+2.03%) posted a plus-side return on average—helped by Global Income CEFs (+2.19%) and Emerging Markets Debt CEFs (+1.81%).

An equity-like risk-on approach during much of the month kept the domestic fixed income CEFs macro-group at the front of the pack. All classifications within the group posted returns in the black, with General Bond CEFs (+2.99%) posting the strongest return, followed closely by High Yield CEFs (Leveraged) (+2.78%). With investors becoming more risk seeking during the month, it wasn't too surprising to see U.S. Mortgage CEFs (+1.56%) as the relative laggard of the group, bettered somewhat by Corporate Debt BBB-Rated CEFs (+1.57%).

For the first month in five not all of Lipper municipal debt CEF classifications posted plus-side returns. High Yield Municipal Debt CEFs (+0.17%) and Intermediate Municipal Debt CEFs (+0.05%) were the only classifications in the subgroup in the black, while Pennsylvania Municipal Debt CEFs (-0.27%) was the laggard. National municipal debt CEFs (-0.13%) mitigated losses better than their single-state municipal debt CEFs counterparts (-0.24%).

Three of the five top-performing individual CEFs in the fixed income universe were housed in Lipper's General Bond CEFs classification. At the top of the group was **Palmer Square Opportunistic Income Fund (NASDAQ:PSOIX,** an interval hybrid CEF), returning 6.99%. PSOIX was followed by **Ares Dynamic Credit Allocation Fund, Inc. (ARDC),** returning 4.64% and traded at a 13.33% discount at month-end; **PIMCO Dynamic Credit Income Fund (PCI,** housed in the Global Income CEFs classification), tacking 4.26% onto its June month-end value and traded at a 5.77% discount on July 29; **KKR Income Opportunities Fund (KIO),** posting a 4.24% return and traded at a 7.77% discount at month-end; and **Guggenheim Strategic Opportunities Fund (GOF,** warehoused in the High Yield CEFs [Leveraged] classification), returning 4.09% and traded at a 1.91% premium on July 29.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 2.11% for **Eaton Vance Tax-Advantaged Bond and Option Strategies Fund (EXD,** housed in Lipper's General & Insured Municipal Bond CEFs [Leveraged] classification and traded at a 10.46% discount on July 29) to 4.02% for **Nuveen Global High Income Fund (JGH,** housed in Lipper's High Yield CEFs [Leveraged] classification), which traded at a 9.80% discount at month-end. The 20 top-performing fixed income CEFs posted returns at or above 3.46%, while the 20 lagging CEFs were at or below minus 0.41%. A total of 143 fixed income CEFs witnessed negative performance for July.

PREMIUM AND DISCOUNT BEHAVIOR

For July the median discount of all CEFs narrowed 65 bps to 5.30%—still better than the 12-month moving average discount (8.36%). Equity CEFs' median discount narrowed 73 bps to 9.34%, while fixed income CEFs' median discount narrowed 30 bps to 2.99%. World Income CEFs' median discount witnessed the largest narrowing of discounts in the CEFs universe, 220 bps to 8.15%, while High Yield CEFs witnessed the second largest narrowing of discounts—137 bps to 6.73%.

For the month 70% of all funds' discounts or premiums improved, while 26% worsened. In particular, 63% of equity funds and 75% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on July 29 (132) was 14 more than on June 30.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

Gabelli Funds, LLC announced the initial public offering of The Gabelli Go Anywhere Trust, a newly organized non-diversified, closed-end management investment company, with the fund offering common and preferred shares. Shareholders also will be offered a "combination" consisting of three common shares and one Series A cumulative puttable and callable preferred share.

The combinations will initially trade on the New York Stock Exchange or NYSE MKT for 60 days; thereafter, separate trading for the common shares and Series A preferred shares will commence, and the combinations will be delisted. Gabelli Funds, LLC and/ or its control affiliates may purchase up to the greater of $20,000,000 in combinations, or 20% of the total number of combinations. The fund must sell at least 500,000 combinations in order to close its IPO; the maximum number of combinations the fund may sell is 2,000,000. The fund's offering period expires on August 23, 2016, and is subject to up to two extensions of up to ten days each.

RIGHTS, REPURCHASES, TENDER OFFERS

The board of directors of **General American Investors Company, Inc. (GAM)** authorized the repurchase of an additional 1,000,000 outstanding common shares when the shares are trading at a discount from the underlying net asset value by at least 8%. This action continued a repurchase program that began in March 1995.

Advent/Claymore Enhanced Growth & Income Fund (LCM) announced that the fund's board of trustees has approved an in-kind tender offer for up to 32.5% of the fund's outstanding common shares at a price per share equal to 98% of the fund's net asset value per share as of the business day immediately following the expiration date of the tender offer. The fund will repurchase shares tendered and accepted in the tender offer in exchange for a pro rata portion of the fund's portfolio securities, subject to certain adjustments. The tender offer is subject to the fund's receipt of an exemptive order from the Securities and Exchange Commission to permit affiliated persons of the fund to participate in the tender offer.

Advent Claymore Convertible Securities and Income Fund II (AGC) announced that the fund's board of trustees has authorized a share repurchase program. Under the repurchase program the fund will purchase in the open market up to 7.5% of its outstanding common shares (based on common shares outstanding as of July 22, 2016). Pursuant to the repurchase program, the fund will conduct repurchases when its common shares are trading on the NYSE at a discount to net asset value of 13% or greater. The fund intends to commence the repurchase program as soon as reasonably practicable and in no event later than September 1, 2016. The repurchase program will terminate on September 30, 2018, provided that following the commencement of the repurchase program, if the closing price on the NYSE of the fund's common shares represents a discount to NAV of less than 13% on five consecutive trading days, the repurchase program will immediately terminate. Under no circumstances will the fund repurchase in a given calendar month a number of common shares greater than 2% of the fund's outstanding common shares as of the beginning of such month.

Delaware Enhanced Global Dividend and Income Fund (DEX) announced that its board has approved an open-market share repurchase program to authorize the fund to purchase from time to time up to 10% of the fund's common shares in open-market transactions at the discretion of management in an effort to reduce the fund's market price discount to net asset value.

Delaware Investments Dividend and Income Fund, Inc. (DDF) announced the final results of its tender offer for up to 425,937.0000 common shares, representing up to 5% of its issued and outstanding common shares, each of which has a par value of $0.01 per share. The offer expired on Tuesday, June 28, 2016.

Based on a count by Computershare Trust Company, N.A., the depositary for the tender offer, approximately 1,647,279.5066 common shares, or approximately 19.34% of the fund's common shares outstanding, were tendered. The fund accepted 425,937.0000 shares (subject to adjustment for fractional shares) for cash payment at a price equal to $10.46 per share. This purchase price was 98% of the fund's net asset value per share of $10.67 as of the close of regular trading on the NYSE on June 29, 2016, the pricing date stated in the offer to purchase. Because the total number of shares tendered exceeded the number of shares offered to purchase, all tendered shares were subject to pro-ration in accordance with terms of the offer to purchase. Under final pro-ration 25.8644% of the shares tendered were accepted for payment, subject to adjustment for fractional shares.

Western Asset Middle Market Debt Fund Inc. (NASDAQ:XWAMX) announced that, pursuant to its tender offer for up to 10% of the fund's outstanding common shares, which expired on July 6, 2016, the fund accepted 10,321 shares, representing approximately 6.55% of its outstanding shares. The shares accepted for tender were repurchased at a price of $729.28 per share, which was the fund's net asset value per share on July 6, 2016. The fund transmitted payment to purchase the duly tendered and accepted shares on July 12, 2016. All shares that were validly tendered and not withdrawn by July 6, 2016, were accepted for payment.

Western Asset Middle Market Income Fund Inc. (NASDAQ:XWMFX) announced the final results for its issued tender offer for up to 2.5% of the outstanding common shares or 7,816 shares of the fund at a price equal to the fund's net asset value per common share on the day on which the tender offer expired (July 6, 2016). A total of 15,637 shares were duly tendered and not withdrawn. Because the number of shares tendered exceeded 7,816 shares, the tender offer was oversubscribed. Therefore, in accordance with the terms and conditions specified in the tender offer the fund purchased shares from all tendering shareholders on a pro rata basis, disregarding fractions. Accordingly, on a pro rata basis approximately 49.98% of shares for each shareholder who properly tendered shares was accepted for payment. The fund transmitted payment to purchase the duly tendered and accepted shares on July 12, 2016. The purchase price of properly tendered shares was $720.59 per share, equal to the per-share net asset value as of the close of the regular trading session of the NYSE on July 6, 2016.

The Central Europe, Russia and Turkey Fund, Inc. (CEE), The European Equity Fund, Inc. (EEA), and The New Germany Fund, Inc. (GF) each announced that its board of directors has approved an extension of the current repurchase authorization permitting EEA, GF, and CEE to repurchase up to 847,000, 1,596,000, and 796,000 shares, respectively (representing approximately 10% of each fund's current shares outstanding), for the 12-month period from August 1, 2016, through July 31, 2017. Repurchases will be made from time to time when they are believed to be in the best interests of a fund.

MERGERS AND REORGANIZATIONS

Western Asset Global High Income Fund Inc. (EHI) announced the results of the votes cast at EHI's special meeting of shareholders held on July 22, 2016. Shareholders of EHI voted to approve the merger of **Western Asset Global Partners Income Fund Inc. (GDF)** with and into EHI in accordance with the Maryland General Corporation Law and the Maryland Statutory Trust Act. Western Asset Global Partners Income Fund Inc. announced that GDF's special meeting of shareholders held on July 22, 2016, would be adjourned to permit further solicitation of proxies. The special meeting of shareholders was adjourned to August 12, 2016.

OTHER

Guggenheim Build America Bonds Managed Duration Trust announced that effective July 26 the trust will be renamed "**Guggenheim Taxable Municipal Managed Duration Trust**." The trust will continue to trade on the NYSE under its current ticker symbol, GBAB. GBAB will no longer be required to invest a specific percentage of its managed assets in Build America Bonds ("BABs"). Under normal market conditions the trust will invest at least 80% of its managed assets in taxable municipal securities, which include BABs, and may invest up to 20% of its managed assets in securities other than taxable municipal securities, including tax-exempt municipal securities, asset-backed securities, senior loans, and other income-producing securities.

Deutsche Multi-Market Income Trust (KMM) and **Deutsche Strategic Income Trust (KST)** announced that the board of trustees has approved the termination of each fund, pursuant to which each fund will make a liquidating distribution to shareholders no later than December 31, 2018. Each fund also announced that the annual shareholder meeting previously called for September 30, 2016, will be held for the purpose of considering: (i) the election of trustees, and (ii) a proposal submitted by a shareholder requesting that the board take the necessary steps to declassify the board. Details of the proposals will be set forth in the proxy statement for each fund's 2016 annual shareholders' meeting.

CEF Performance Statistics

LIPPER

Lipper Classification	Average of 1Mo Nav Change	Average of 1 Mo Mkt Change	Average of July P/D	Average of June P/D	Average 1 Mo P/D Change	Average YTD NAV Change	Average YTD Mkt Change	Average YTD P/D Change
California Municipal Debt Funds	-0.62%	0.68%	3.61%	2.26%	1.35%	3.49%	8.98%	5.16%
Convertible Securities Funds	4.01%	6.19%	-7.18%	-9.12%	1.94%	2.07%	8.41%	5.45%
Core Funds	3.36%	4.07%	-7.84%	-8.82%	1.31%	1.04%	2.32%	2.44%
Corporate BBB-Rated Debt Funds(Leveraged)	1.33%	1.45%	-7.41%	-7.54%	0.13%	5.77%	8.77%	2.53%
Corporate Debt Funds BBB-Rated	1.15%	1.69%	-3.07%	-3.57%	0.50%	5.28%	8.18%	2.56%
Developed Market Funds	4.22%	3.47%	-12.75%	-12.15%	-0.69%	0.93%	-0.11%	-0.86%
Emerging Markets Funds	3.45%	3.94%	-12.52%	-12.89%	0.37%	10.30%	10.05%	-0.35%
Emerging Mrkts Hard Currency Debt Funds	1.38%	5.41%	-7.70%	-11.24%	3.54%	8.95%	17.14%	6.42%
Energy MLP Funds	0.27%	-0.70%	-5.63%	-4.62%	-1.01%	11.77%	13.79%	1.57%
General & Insured Muni Debt Funds (Leveraged)	-0.63%	-0.13%	-0.19%	-0.67%	0.48%	3.90%	9.43%	5.04%
General & Insured Muni Fds (Unleveraged)	-0.42%	0.28%	2.07%	1.38%	0.68%	3.14%	7.18%	3.75%
General Bond Funds	1.59%	2.62%	-1.43%	-0.89%	0.76%	3.20%	10.37%	5.97%
Global Funds	2.68%	3.87%	-10.60%	-11.61%	1.01%	0.03%	3.70%	2.89%
Global Income Funds	1.49%	3.72%	-3.49%	-5.76%	2.27%	3.98%	10.46%	5.98%
Growth Funds	4.49%	4.40%	-11.00%	-12.00%	1.00%	9.30%	-6.77%	-2.80%
High Yield Funds	1.59%	2.99%	-6.66%	-5.09%	0.77%	4.88%	7.17%	2.40%
High Yield Funds (Leveraged)	2.15%	2.81%	-5.38%	-5.98%	0.60%	6.82%	11.54%	3.80%
High Yield Municipal Debt Funds	-0.28%	0.06%	2.45%	2.07%	0.38%	3.35%	9.14%	5.40%
Income & Preferred Stock Funds	2.15%	2.43%	-2.36%	-2.46%	0.01%	4.50%	11.34%	5.70%
Intermediate Municipal Debt Funds	-0.27%	0.36%	-1.24%	-1.88%	0.65%	2.88%	5.20%	2.14%
Loan Participation Funds	1.70%	3.34%	-7.17%	-8.48%	1.31%	4.60%	7.68%	2.29%
Natural Resources Funds	-0.37%	-0.48%	-9.99%	-9.80%	-0.19%	14.27%	15.67%	2.23%
New Jersey Municipal Debt Funds	-0.55%	1.06%	-0.73%	-2.31%	1.59%	4.00%	12.65%	7.61%
New York Municipal Debt Funds	-0.59%	0.82%	2.44%	1.04%	1.41%	3.43%	10.15%	6.25%
Options Arbitrage/Opt Strategies Funds	2.40%	3.20%	-1.38%	-2.23%	0.86%	-1.41%	0.83%	2.93%
Other States Municipal Debt Funds	-0.61%	0.42%	0.68%	-0.34%	1.02%	3.65%	10.62%	6.14%
Pacific Ex Japan Funds	4.07%	3.83%	-12.48%	-12.22%	-0.26%	9.22%	10.50%	0.98%
Pennsylvania Municipal Debt Funds	-0.63%	0.41%	-3.72%	-4.72%	1.00%	3.21%	11.55%	7.22%
Real Estate Funds	2.83%	4.38%	-8.76%	-9.11%	0.35%	6.03%	17.33%	3.45%
Sector Equity Funds	4.76%	5.47%	-4.92%	-9.17%	0.45%	11.32%	15.45%	3.14%
U.S. Mortgage Funds	0.98%	1.56%	-4.45%	-4.90%	0.45%	-0.39%	3.06%	3.91%
Utility Funds	0.50%	1.28%	-6.07%	-6.81%	0.74%	14.04%	17.46%	2.79%
Value Funds	1.97%	3.59%	-9.53%	-10.97%	1.44%	5.65%	9.42%	3.26%

Top 5 Performing CEFs

LIPPER

Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
Tekla Life Sciences Inv	Sector Equity Funds	XHQLX	10.5%	1
Engex Inc	Growth Funds		10.1%	2
Tekla Healthcare Invest	Sector Equity Funds	XHQHX	9.8%	3
ASA Gold & Prec Met Ltd	Sector Equity Funds		9.6%	4
New Germany Fund	Developed Market Funds	XGFNX	7.8%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds		116.6%	1
Aberdeen Latin America	Emerging Markets Funds	XLAQX	40.7%	2
Central Fund of Canada	Sector Equity Funds		32.8%	3
Latin American Discovery	Emerging Markets Funds	XLDFX	32.3%	4
Tortoise Pipelne & Enrgy	Natural Resources Funds	XTTPX	29.1%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
First Tr Spec Fin&Finl	Sector Equity Funds	XFGBX	11.7%	1
Tekla Healthcare Invest	Sector Equity Funds	XHQHX	11.3%	2
Tekla Life Sciences Inv	Sector Equity Funds	XHQLX	10.9%	3
Voya Itl Hi Div Eqty Inc	Options Arbitrage/Opt Strategies Funds	XIIDX	10.7%	4
AllianzGI Conv & Income	Convertible Securities Funds	XNCVX	9.6%	5

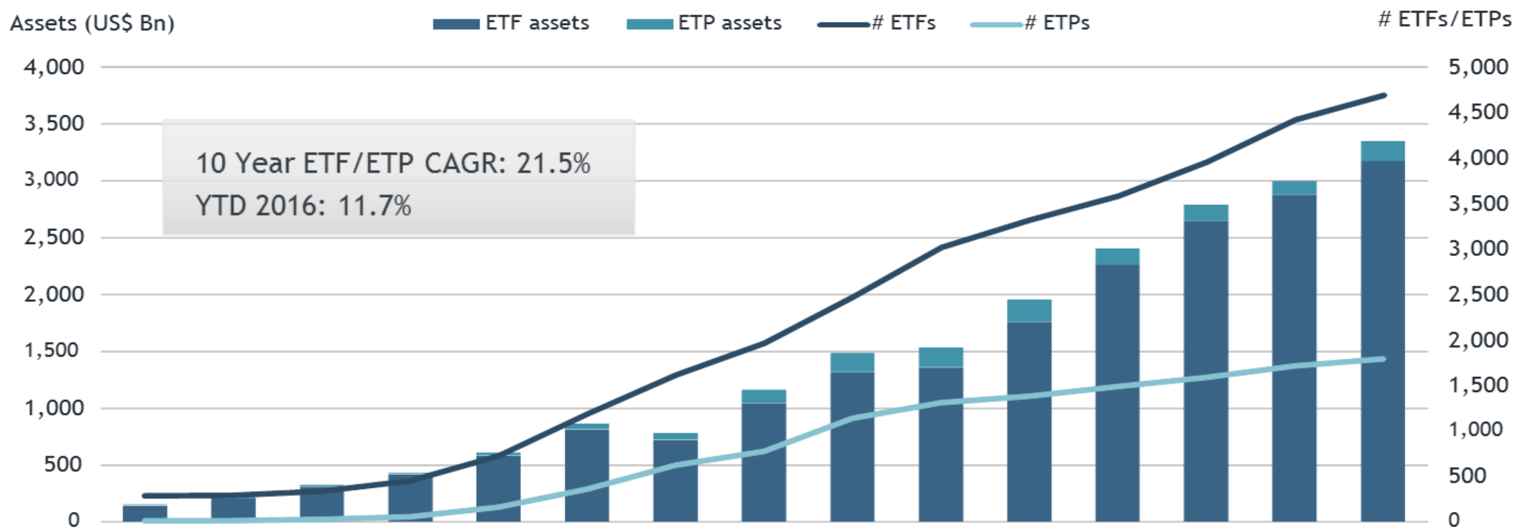
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds		123.6%	1
Global Self Storage	Real Estate Funds		50.9%	2
Central Fund of Canada	Sector Equity Funds		46.6%	3
Aberdeen Latin America	Emerging Markets Funds	XLAQX	39.3%	4
GAMCO NR Gld & Inc Tr	Sector Equity Funds	XGNTX	38.6%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
PIMCO Strat Income	Global Income Funds	XRCSX	11.9%	1
Voya Itl Hi Div Eqty Inc	Options Arbitrage/Opt Strategies Funds	XIIDX	8.6%	2
StoneHarbor Emg Mkts Inc	Emerging Mrkts Hard Currency Debt Funds	XEDFX	8.2%	3
Neuberger CA Intmdt Muni	Intermediate Municipal Debt Funds	XNBWX	6.9%	4
Cornerstone Strat Value	Core Funds	XCLMX	5.9%	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
RENN Fund	Global Funds		39.0%	1
PIMCO Gl StksPLUS & Inc	Options Arbitrage/Opt Strategies Funds	XPGPX	38.1%	2
PIMCO High Income	General Bond Funds	XPHKX	30.3%	3
Voya Itl Hi Div Eqty Inc	Options Arbitrage/Opt Strategies Funds	XIIDX	22.5%	4
PIMCO Strat Income	Global Income Funds	XRCSX	22.2%	5

Global ETF and ETP asset growth as at end of July 2016

At the end of July 2016, the Global ETF industry had 4,690 ETFs, with 9,876 listings, assets of US$3.169 trillion, from 251 providers on 63 exchanges. At the end of July 2016, the Global ETF/ETP industry had 6,484 ETFs/ETPs, with 12,356 listings, assets of US$3.344 trillion, from 284 providers on 65 exchanges.



Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Jul-16
# ETFs	284	289	335	451	725	1,184	1,614	1,962	2,471	3,017	3,319	3,584	3,957	4,423	4,690
# ETFs/ETPs	296	304	365	507	888	1,544	2,238	2,740	3,611	4,331	4,704	5,075	5,547	6,141	6,484
ETF assets	142	212	310	417	580	807	716	1,041	1,313	1,355	1,754	2,254	2,643	2,870	3,169
ETF/ETP assets	146	218	319	426	603	857	774	1,158	1,478	1,526	1,949	2,398	2,784	2,993	3,344

Summary for ETFs/ETPs: Global

ETFGI, the leading independent research and consultancy firm on trends in the global ETF/ETP ecosystem, today reported assets invested in ETFs/ETPs listed globally reached a new record high US$3.343 trillion at the end of July 2016. Net flows gathered by ETFs/ETPs in July were strong with US$52.68 Bn of net new assets gathered during the month marking the 30th consecutive month of net inflows, according to preliminary data from ETFGI's July 2016 global ETF and ETP industry insights report.

Record levels of assets were also reached at the end of July for ETFs/ETPs listed in the United States at US$2.367 trillion, in Europe at US$539.16 Bn, in Japan at US$191.82 Bn and in Canada which reached US$81.19 Bn.

At the end of July 2016, the Global ETF/ETP industry had 6,476 ETFs/ETPs, with 12,342 listings, assets of US$3.343 trillion, from 285 providers listed on 65 exchanges in 53 countries.

“Investor confidence returned during July after the surprising result of June's Brexit vote. The S&P 500 was up 3.7% in July. Developed markets outside the U.S. gained 5.1% and emerging markets were up 4.8%." according to Deborah Fuhr, managing partner at ETFGI.

In July 2016, ETFs/ETPs listed globally gathered net inflows of US$52.60 Bn. Equity ETFs/ETPs gathered the largest net inflows with US$33.36 Bn, followed by fixed income ETFs/ETPs with US$13.25 Bn, and commodity ETFs/ETPs with US$5.45 Bn.

YTD through end of July 2016, ETFs/ETPs gathered net inflows of US$175.32 Bn which is below the record level of US$199.06 Bn gathered at this point in 2015. YTD, fixed income ETFs/ETPs have gathered a record level and the largest net inflows with US$80.89 Bn, followed by equity ETFs/ETPs with US$48.43 Bn, and commodity ETFs/ETPs which have gathered a record level of US$31.99 Bn net inflows.

iShares gathered the largest net ETF/ETP inflows in July with US$23.45 Bn, followed by SPDR ETFs with US$14.34 Bn and Vanguard with US$7.17 Bn net inflows.

YTD, iShares gathered the largest net ETF/ETP inflows with US$63.97 Bn, followed by Vanguard with US$49.46 Bn and SPDR ETFs with US$17.67 Bn net inflows.

In July 2016, 63 new ETFs/ETPs were launched by 31 providers while 5 ETFs/ETPs closed.

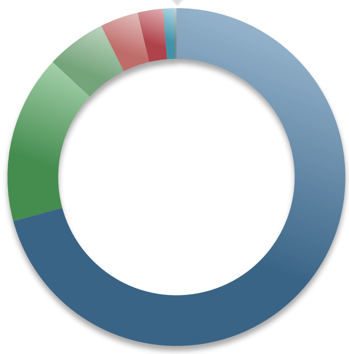
The top 100 ETFs/ETPs, out of 6,484, account for 55.9% of Global ETF/ETP assets. 441 ETFs/ETPs have greater than US$1 Bn in assets, while 4,520 ETFs/ETPs have less than US$100 Mn in assets, 3,845 ETFs/ETPs have less than US$50 Mn in assets and 2,087 ETFs/ETPs have less than US$10 Mn in assets.

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

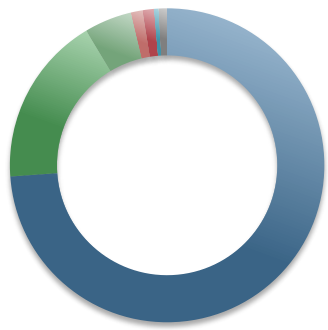
Global ETF/ETP Assets Summary

etfgi.com

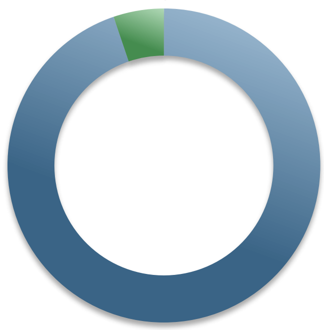
ETF/ETP assets by region listed



ETF/ETP assets by asset class



ETF/ETP assets by product structure



Region	# ETFs/ ETPs	Assets (US$ Bn)	% total
US	1,947	$2,367.0	70.8%
Europe	2,220	$539.2	16.1%
Japan	177	$191.8	5.7%
Asia Pacific (ex-Japan)	891	$122.0	3.6%
Canada	430	$81.2	2.4%
Middle East and Africa	774	$37.5	1.1%
Latin America	45	$5.0	0.1%
Total	**6,484**	**$3,343.7**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	3,547	$2,469.5	73.9%
Fixed Income	940	$586.8	17.6%
Commodities	686	$163.4	4.9%
Leveraged	386	$40.5	1.2%
Active	283	$38.7	1.2%
Inverse	209	$15.7	0.5%
Others	433	$29.0	0.9%
Total	**6,484**	**$3,343.7**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	3,547	$2,469.5	73.9%
Fixed Income	940	$586.8	17.6%
Commodities	686	$163.4	4.9%

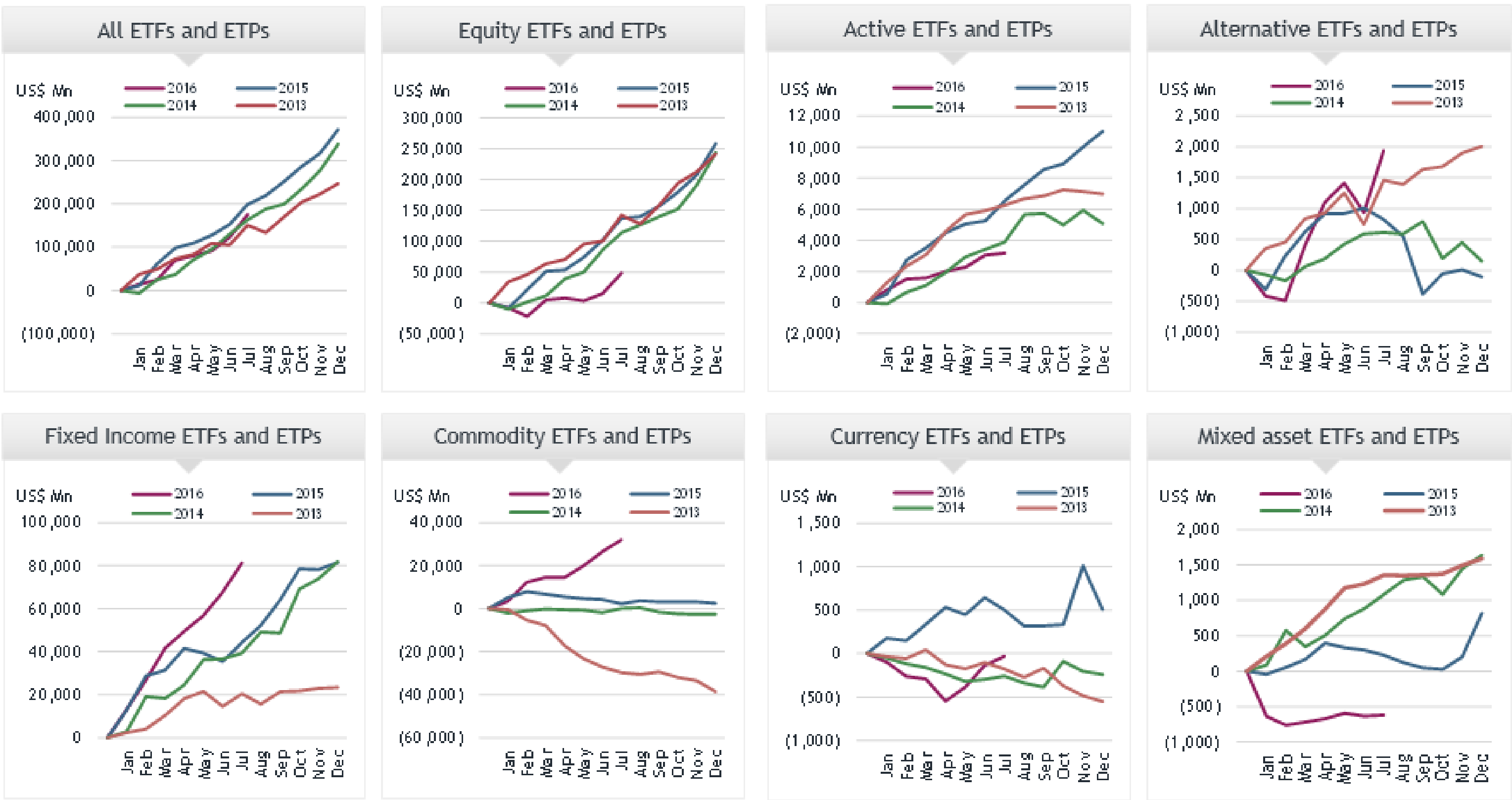
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.

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

Global Year to Date Net New Assets

etfgi.com

YTD 2016 vs 2015, 2014, 2013 ETF and ETP net new assets by asset class: Global



ETFs and ETPs listed globally gathered net inflows of $53,010 Mn in July. Year to date, net inflows stand at $175,664 Mn. At this point last year there were net inflows of $199,064 Mn.

Equity ETFs/ETPs saw net inflows of $33,374 Mn in July, bringing year to date net inflows to $48,439 Mn, which is less than the net inflows of $136,907 Mn over the same period last year.

Fixed income ETFs and ETPs experienced net inflows of $13,571 Mn in July, growing year to date net inflows to $81,210 Mn, which is greater than the same period last year which saw net inflows of $44,190 Mn.

Commodity ETFs/ETPs accumulated net inflows of $5,455 Mn in July. Year to date, net inflows are at $31,989 Mn, compared to net inflows of $2,183 Mn over the same period last year.

Actively managed products saw net inflows of $138 Mn in July, bringing year to date net inflows to $3,178 Mn, which is less than the net inflows of $6,540 Mn over the same period last year.

Products tracking alternative indices experienced net inflows of $1,002 Mn in July, growing year to date net inflows to $1,940 Mn, which is greater than the same period last year which saw net inflows of $825 Mn.

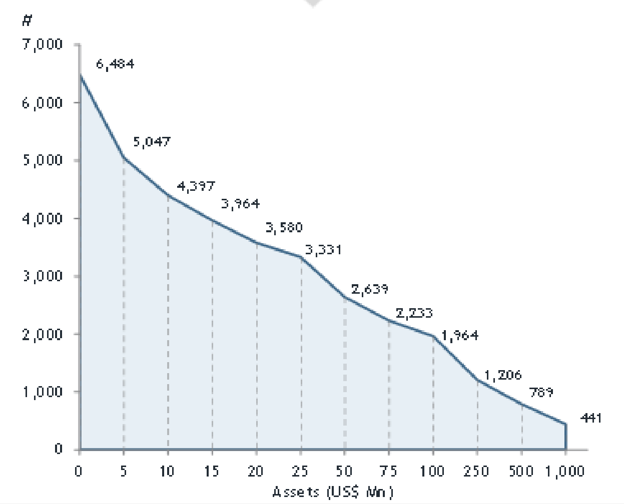
Currency products accumulated net inflows of $105 Mn in July. Year to date, net outflows are at $31 Mn, compared to net inflows of $504 Mn over the same period last year.

Products holding more than one asset class saw net inflows of $13 Mn in July, bringing year to date net outflows to $620 Mn, which is less than the net inflows of $225 Mn over the same period last year.

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

Distribution of ETFs/ETPs by size

ETF/ETP assets



Assets greater than (US$ Mn)	# ETFs/ ETPs	% total	Total assets (US$ Bn)	% total
0	6,484	100.0%	3,312	100.0%
5	5,047	77.8%	3,309	99.9%
10	4,397	67.8%	3,305	99.8%
15	3,964	61.1%	3,299	99.6%
20	3,580	55.2%	3,293	99.4%
25	3,331	51.4%	3,287	99.2%
50	2,639	40.7%	3,263	98.5%
75	2,233	34.4%	3,238	97.8%
100	1,964	30.3%	3,214	97.0%
250	1,206	18.6%	3,092	93.4%
500	789	12.2%	2,943	88.9%
1,000	441	6.8%	2,695	81.4%

441 ETFs/ETPs have greater than US$1 Bn in assets, while 1,964 have greater than US$100 Mn in assets and 2,639 have greater than US$50 Mn in assets. The 441 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,695 Bn, or 81.4%, of Global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) Jul-16	NNA (US$ Mn) Jul-16	NNA (US$ Mn) YTD 2016
S&P 500 Index	386,458	16,521	15,666
MSCI EAFE Index	75,976	(1,185)	(1,500)
Nikkei 225 Index	74,156	1,735	8,022
CRSP US Total Market Index	63,828	886	2,369
TOPIX Index	58,867	992	5,214
S&P Mid Cap 400 Index	48,067	1,278	675
NASDAQ 100 Index	43,186	1,150	(5,477)
MSCI US REIT Index	36,469	625	4,167
EURO STOXX 50 Index	33,429	(610)	(3,328)
Russell 1000 Growth Index	31,134	(70)	(2,402)
Russell 1000 Value Index	30,007	206	168
Russell 2000 Index	29,694	1,493	(864)
MSCI Japan Index	26,132	(974)	(8,387)
MSCI World Index	22,831	620	1,791
CRSP US Large Cap Value Index	22,534	120	2,318
NASDAQ Dividend Achievers Select Index	22,163	110	1,017
CRSP US Large Cap Growth Index	21,441	(4)	(392)
DAX Index	19,802	(611)	(2,739)
S&P US 600 Small Cap Index	19,800	467	688
S&P High Yield Dividend Aristocrats Index	17,324	559	4

Top 20 by monthly net inflows

Name	Assets (US$ Mn) Jul-16	NNA (US$ Mn) Jul-16	NNA (US$ Mn) YTD 2016
S&P 500 Index	386,458	16,521	15,666
Nikkei 225 Index	74,156	1,735	8,022
Russell 2000 Index	29,694	1,493	(864)
S&P Mid Cap 400 Index	48,067	1,278	675
NASDAQ 100 Index	43,186	1,150	(5,477)
TOPIX Index	58,867	992	5,214
CRSP US Total Market Index	63,828	886	2,369
MSCI US REIT Index	36,469	625	4,167
S&P Preferred Stock Index	17,090	625	2,221
MSCI World Index	22,831	620	1,791
WisdomTree Japan Hedged Equity Index	7,774	580	(4,483)
S&P High Yield Dividend Aristocrats Index	17,324	559	4
Tel Aviv 25 Index	1,849	522	1,216
S&P US 600 Small Cap Index	19,800	467	688
S&P 500 Low Volatility Index	8,363	457	1,782
FTSE High Dividend Yield Index	15,242	411	2,463
Morningstar Dividend Yield Focus Index	6,730	399	1,651
Dow Jones US Select Dividend Index	16,924	397	1,078
S&P 500 High Dividend Index	3,145	377	1,751
S&P 500 Minimum Volatility Index	2,553	366	1,598

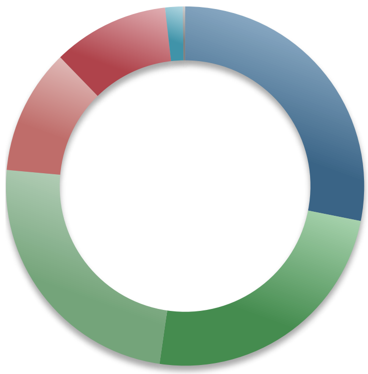
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.

Year to Date ETF / ETP Product Launches

etfgi.com

YTD ETF/ETP product launches

ETFs/ETPs by region listed



Region	# ETFs/ETPs	% total
US	142	28.3%
Asia Pacific (ex-Japan)	122	24.3%
Europe	119	23.7%
Canada	57	11.4%
Middle East and Africa	53	10.6%
Japan	8	1.6%
Latin America	1	0.2%
Total	**502**	**100.0%**

ETFs/ETPs by asset class

Asset class	# ETFs/ETPs	% total
Equity	302	60.2%
Fixed income	72	14.3%
Active	45	9.0%
Leveraged	29	5.8%
Commodities	16	3.2%
Inverse	14	2.8%
Others	24	4.8%
Total	**502**	**100.0%**

ETFs/ETPs by product structure

Structure	# ETFs/ETPs	% total
ETF	403	80.3%
ETP	99	19.7%
Total	**502**	**100.0%**

Source: ETFGI, Bloomberg, ETF/ETP providers.

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

Fitch: Public Finance Upgrades Outpaced Downgrades in 2Q16

July 28, 2016

Authored by:
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U.S. public finance upgrades exceeded downgrades in 2Q16 on 83 upgrades versus 43 downgrades, according to a Fitch Ratings report.

"Roughly 60 percent of the par value of downgrades this quarter were entities related to Puerto Rico, followed by another 25 percent related to the downgrade of the State of Connecticut," said Jessalynn Moro, Managing Director of the U.S. public finance group.

Click here for complete reading

Fitch: HY Volume Picks Up Pace in July, August as Energy Defaults Continue

August 11, 2016

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The high yield (HY) market generated $15.2 billion of new issuance in July, more than double the volume during the same month last year, according to Fitch Ratings. August issuance also remains well above last year's pace, providing a boost to the HY market, which is otherwise down 27% year-over-year.

"After a tough first-half for issuance, HY market volume has exceeded last year's total since the start of June," said Eric Rosenthal, Senior Director of Leveraged Finance. "While lackluster energy volume is still a hindrance, the final five months of 2015 averaged just $14 billion of issuance, so the market could potentially reach last year's $251 billion total."

Click here for complete reading

Rating Actions

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

- **Fitch Rates New DNP Select Income Fund Notes 'AAA'; Affirms Existing Ratings – July 25**
- **Fitch Rates MRPS Issued by Blackstone / GSO Closed-End Funds – July 28**
- **Fitch Affirms Neuberger Berman Real Estate Securities Income Fund Preferred Stock at 'AA' – August 16**
- **Fitch Affirms VRTP Shares of Two Invesco Funds at 'AAA' – August 16**
- **Fitch Affirms Dreyfus Municipal Bond Infrastructure Fund, Inc. VMTP Shares at 'AAA' – August 16**
- **Fitch Affirms Ratings of 2 AllianzGI Closed-End Funds – August 16**

Broad Commodity ETFs Gain Traction in Q2: Will the Trend Continue?

August 2016

Authored by:
Ryan O. Issakainen, CFA
Senior Vice President
First Trust Advisors

Summary of Q2 2016 Estimated ETF Flows and Trends

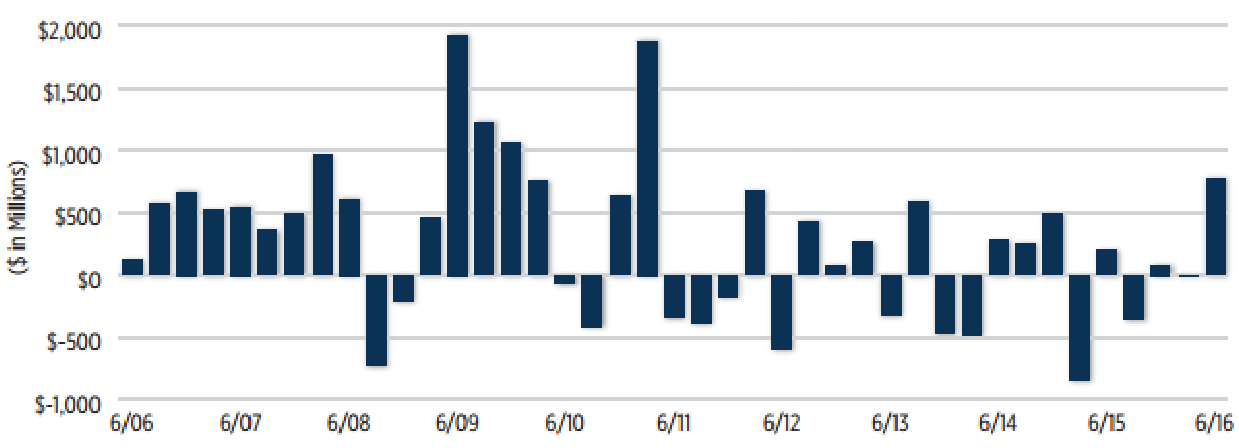
Table 1

US Category Group	Total US-Listed ETF Assets (6/30/16)	Estimated Net Asset Flows Q2 2016	Estimated Net Asset Flows Previous Quarter (Q1 2016)
Allocation	$8,240,180,417	$345,313,522	($956,537,064)
Alternative	$45,501,717,638	$739,232,664	$3,309,197,755
Commodities	$73,350,197,329	$6,886,284,801	$9,379,268,460
International Equity	$419,650,258,835	($3,794,719,754)	($5,234,848,871)
Municipal Bond	$22,104,944,950	$1,536,454,947	$1,667,731,259
Sector Equity	$312,197,425,507	$3,349,163,295	($5,475,113,419)
Taxable Bond	$396,511,018,390	$13,111,259,062	$32,254,570,491
US Equity	$981,678,008,917	$12,027,267,494	($2,118,490,338)
Total	$2,259,233,751,983	$34,200,256,031	$32,825,778,273

Source: Morningstar, as of 6/30/16. Includes all US-listed exchange-traded funds, exchange-traded notes and other exchange-traded products.

» Overall US listed ETF net inflows totaled $34.2 billion in Q2, slightly accelerating from $32.8 billion in net inflows in the previous quarter.
» For the second quarter in a row, the strongest category for net asset flows was Taxable Bond ETFs, with $13.1 billion in net inflows in Q2.
» Flows into US Equity ETFs rebounded in Q2 with $12 billion in net inflows, reversing the $2.1 billion in net outflows from Q1. Flows into Sector Equity ETFs also rebounded in Q2 with $3.3 billion in net inflows, compared to $5.5 billion in net outflows in Q1.
» For the second straight quarter, Commodity ETFs had relatively strong net asset flows with $6.9 billion in net inflows, a large percentage of which came from precious metals ETFs. However, unlike Q1, the "broad commodity ETFs" subcategory also had a significant increase in net inflows, totaling $770 million. This represents the strongest level of net inflows for broad commodity ETFs since Q1 of 2011. (See Chart 1 below)
» International Equity ETFs reported net outflows totaling $3.8 billion in Q2, marking the second consecutive quarter for net outflows.

Chart 1: Broad Commodity ETFs: Estimated Quarterly Net Asset Flows (6/30/06 - 6/30/16)



Source: Morningstar.

Broad Commodity ETFs Gain Traction in Q2: Will the Trend Continue?

The Bloomberg Commodity Index posted a 12.8% total return in Q2 of 2016, which was the strongest quarterly gain for the index since Q4 of 2010. Perhaps, then, we should not be too surprised by the rebound in net inflows for broad commodity ETFs that took place in Q2. After all, investors have a tendency to chase returns in all asset classes, including commodities. The question on the minds of many investors is whether commodities will resume the slide that produced negative total returns in each of the last five calendar years for the Bloomberg Commodity Index, or whether prices will continue to stabilize and move higher. Listed in Table 2, on the following page, are a few potential catalysts that we believe could result in higher or lower commodity prices.

The unpredictable nature of many of the potential catalysts for higher or lower commodity prices listed above is an important reminder of how difficult it is to predict near-term price movements of commodities. As such, we believe that many investors may be better off making strategic policy allocations to commodities, with periodic rebalancing, instead of trying to "time the market".

A strategic allocation to commodities may provide two important, and sometimes interrelated benefits to an investment portfolio, serving to potentially enhance diversification, while also providing a hedge against unexpected inflation. Over the past 15 years, the correlation between commodities and bonds has been 0.04, and the correlation between commodities and US stocks has been 0.38.1 While the relationship between commodities and US stocks is stronger than that of commodities and bonds (between which there is almost no relationship), it remains weak enough to provide meaningful diversification benefits, in our opinion. This is due to the fact that certain market forces impact commodity prices differently than stock prices.

One example which may help to illustrate this point is the impact that an unexpected rise or spike in raw materials' prices may have on the earnings of a manufacturing company. If commodity prices were to increase beyond what a manufacturer is able to pass along to its customers, its profit margins could get squeezed, potentially resulting in a hit to its earnings. In such situations, an allocation to commodities may help to offset a potential decline in the price of the manufacturers' stock.

Potential Catalysts for Higher Commodity Prices	Potential Catalysts for Lower Commodity Prices
Technical: Mean reversion could lead to higher prices following the 58% decline from peak (4/29/11) to trough (1/20/16) for the Bloomberg Commodity Index.	**Technical:** Potential retracement lower following Q2 2016 rally.
Global central banks could succeed in stoking inflation.	Global central banks stimulus policies could fail as deflation pressures mount.
Weakening US Dollar: US Dollar could weaken if the US Dollar Index ($96.14, as of 6/30/16) drifted closer to its 10-year average ($82.75).	**Strengthening US Dollar:** Foreign investors may continue to funnel capital to the US in search of a safe haven or higher interest rates.
Demand for commodities from Emerging Markets could accelerate.	Unforeseen economic weakness could lead to reduced demand for commodities.
Weather-Related: Potential supply disruptions (i.e. hurricanes prevent normal drilling for natural gas).	**Weather-Related:** Potential excess supply (i.e. unusually warm winter results in less consumption of natural gas).
Potential geopolitical turmoil in commodity producing regions, reducing production.	Technological innovation could continue to increased production, resulting in excess supply.

Active or Passive?

While the majority of commodity ETFs track passive indices, we believe that the actively managed approach employed by the First Trust Global Tactical Commodity Fund (FTGC) may provide several important benefits:

» **Actively managed volatility**: While most passively managed broad commodity ETFs accept whatever level of risk is reflected by a relatively static underlying commodity index, FTGC seeks to target a more stable level of risk, by regularly adjusting its portfolio allocations. We believe this approach may provide investment advisors a more predictable way to determine what level of risk to allocate to commodities.

» **Selection of commodities in order to seek robust diversification**: While certain commodities tend to be highly correlated to one another, the relationship between other commodities is much weaker. For example, one would typically expect the correlation between two energy-related commodities to be higher than the correlation between an energy commodity and an agricultural commodity. FTGC's commodity allocation seeks robust diversification by including meaningful allocations to a diverse portfolio of commodities, many of which are absent from passive indices.

» **Actively Manage Roll-Yield**: As futures contracts expire, it is necessary to roll from one contract to another, in order to maintain exposure to a given commodity. However, futures contracts for a given commodity may have meaningfully different prices, depending on the date at which the contract comes due. In contrast to many passively managed commodity ETFs, which maintain exposure to front-month futures contracts, we believe that active management can add value by selecting and rolling exposure to futures contracts that are expected to produce the greatest total returns.

» **Tax reporting**: Tax reporting for FTGC is provided on a Form 1099, unlike many other commodity ETFs, which report taxes via schedule K-1s. We are encouraged to see investors have once again begun to "test the waters" for broad commodity ETFs, as indicated by the strength of estimated net asset flows in Q2. While commodity returns for the five-year period ending in December of 2015 were dismal, we believe that the longer-term benefits that commodities have historically provided still warrant consideration for many investors. For those seeking exposure to commodities, we believe that the actively managed strategy employed by FTGC provides meaningful enhancements versus passively managed commodity ETFs.

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MLP ETPs

July 19, 2016

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When reviewing MLP ETPs for a potential investment, in addition to identifying the strategy and/or specific segment of that market in which an investor is interested, the structure of the ETP should also be taken into consideration as one may be more appropriate than the others, depending on the investor's objective. The three current ETP structures that provide exposure to MLPs include: a regulated investment company (RIC), a Ccorporation (C-Corp), and an exchange-traded note (ETN). Choosing one structure over the other two should depend on the investor's answers to the following characteristics:

1) Is a 100% exposure to MLPs desired, or is a 25% exposure sufficient?
2) Is maximizing the percentage of tax deferral of the distributions imperative?
3) Is maximizing the upside potential during strength in the MLP market important?
4) Are you willing to take the credit quality risk of the issuer?

The selection of an ETP should not only depend on the answers to the above questions but also on the priority of these preferences to each investor.

Regulated Investment Company (RIC)

RICs include unit investment trusts (UITs), mutual funds, most closed-end funds (CEFs) and most ETPs. Unlike most other asset classes, MLPs in a RIC are impacted by a unique regulation. Under current law, a RIC cannot invest more than 25% of its portfolio in MLPs if it wants to maintain its favorable tax status. Accordingly, some sponsors have created ETPs that track an index that limits holdings in MLPs to 25% of the total exposure, with the remainder possibly invested in, among others, non-MLP energy and/or infrastructure companies.

These MLP RIC ETPs may also hold MLP-like instruments, such as parent companies of MLPs that are not treated as such for tax purposes but their characteristics, and often their risk/return profile, are somewhat similar to those of MLPs. As such, these RICs can be considered as "MLP-lite" products that have had a high correlation with MLP indices. These MLP RIC ETPs generate IRS Form 1099 and may be viewed as products that are more appropriate for qualified accounts given the tax status of the distributions. Additionally, MLP RIC ETPs can be placed in qualified accounts without generating unrelated business taxable income (UBTI). Finally, to the limited extent that these types of ETPs have exposure to MLPs, they will pass through any tax-deferred distributions (paid by the MLPs in the portfolio), categorized as return-of-capital (ROC) for tax purposes, to the shareholders of the ETP. In other words, the percentage of ROC from an MLP RIC ETP's distribution is likely to be lower than that of a non-RIC ETP. Keep in mind that the cost basis needs to be adjusted by the amount of ROC received during the holding period. As Wells Fargo Advisors and its affiliates are not tax advisors investors should consult with a tax professional regarding their particular situation.

C-Corporation (C-Corp)

A sponsor desiring MLP exposure greater than 25% may elect to structure the ETP as a C-Corp. However, this exposes the C-Corp to possible accounting issues, the most important of which is a deferred tax liability on the appreciation of its underlying investments. For example, if the underlying MLPs of a C-Corp appreciate resulting in unrealized gains, the C-Corp must record a deferred tax liability (DTL), which recognizes the corporate taxes which may be incurred when the gains are eventually realized. A DTL is subtracted from the net asset value (NAVs) creating a headwind for the NAV performance relative to an identical exposure without the burden of a DTL. In the table's Period 1 below we illustrate the impact of a DTL on the NAV of a C-Corp.

The C-Corp starts with an initial portfolio investment value of $10, and we assume in our hypothetical example, that the underlying MLPs appreciate by 10%. In order to isolate the effect of the DTL for illustrative purposes, we exclude expenses, leverage, and distributions. The 10% increase in the underlying MLPs would cause the initial investment to increase to $11.00. However, the C-Corp must account for a DTL, which is equal to the $1.00 in appreciation minus taxes at the 35% corporate tax rate. Thus, once the DTL is taken into account, instead of reporting an NAV of $11.00, the C-Corp is required to report an NAV of only $10.65. As a result, the DTL reduces the 10% increase in the underlying assets to only a 6.5% increase in NAV.

The opposite occurs when the underlying assets of a MLP ETP decline resulting in an unrealized loss which generates a deferred tax asset (DTA). This assumes certain audit requirements are met that are beyond the scope of this report. In this instance, the DTA would act as a cushion to the declining NAV of the underlying assets. This is clarified in the table's Period 2 on the next page.

Period 1 - Bullish	
Initial Investment	$10.00
Appreciation Assumption	10%
Unrealized Gain	$1.00
Ending Market Value	$11.00
Market Value Total Return	**10.0%**
Accumulated Unrealized Gain	$1.00
Federal Tax Rate	35%
Deferred Tax Liability	$0.35
Ending NAV (after DTL)	$10.65
NAV Total Return (after DTL adjustment)	**6.5%**

Source: Wells Fargo Advisors

Period 2 - Bearish	
Starting Market Value	$11.00
Depreciation Assumption	-10%
Unrealized Loss	($1.10)
Cumulative Unrealized Gain - Period 1 + 2	($0.10)
Ending Market Value	$9.90
Cumulative Market Value Total Return	**-1.0%**
Accumulated Unrealized Gain	($0.10)
Federal Tax Rate	35%
Deferred Tax Asset	($0.03)
Ending NAV (after DTA)	$9.94
Cumulative NAV Total Return (after DTA adjustment)	**-0.6%**

Source: Wells Fargo Advisors

After gaining 10% in the first period of our hypothetical example, the portfolio now experiences a 10% loss in the second period. As such, the market value falls by $1.10 from $11.00 to $9.90, resulting in a cumulative unrealized loss of $0.10 and a cumulative total return of -1.0% over the two periods. Therefore, the C-Corp is able to record a DTA on its balance sheet. When applying the 35% tax rate on the unrealized loss, the NAV is recorded at $9.94, resulting in a cumulative NAV total return of -0.6%. In a way, the DTL/DTA process functions similar to a covered call strategy — limiting both the upside and downside to some degree.

Since a C-Corp is not limited in the amount that can be invested in MLPs, a much greater portion of the distributions of a C-Corp is more likely to be treated as ROC because the capital returned from the underlying MLPs is simply passed through to the shareholders of the C-Corp. However, as with all ETPs, shareholders who sell their shares must adjust their cost basis by the amount of ROC during the holding period in order to determine their tax liability. In addition, if the cost basis were to fall to zero, all distributions would be taxed as ordinary income.

Lastly, C-Corps generally report income-tax information using IRS Form 1099 and these products are usually considered eligible to be placed in qualified accounts without generating UBTI consequences. However, it is worth noting that the tax-deferral on distributions from C-Corps lose their tax benefit in a qualified account given that qualified accounts are already tax-deferred.

Exchange-traded Note (ETN)

The final structure to consider when using an ETP to gain exposure to MLPs is an ETN. ETNs are senior, unsecured debt obligations of a financial institution and offer exposure to MLPs by passively tracking an index. However, unlike the RIC and C-Corp ETPs, ETNs do not hold the underlying securities of their respective index. Their indicative value (IV), which is comparable to the NAV of a RIC or C-Corp, provides the performance of the index to which they are assigned, minus fees. That being said, this does not guarantee the absence of tracking error for an ETN's market price relative to the underlying index (e.g., the impact of premiums and discounts to IV). Since ETNs do not hold the underlying securities, they are able to track MLP indices with 100% MLP exposure without the negative impact of a DTL. Using the above example, the ETN's IV would record a 10% gain in the first period and a cumulative 1% loss through the second period (assuming no fees).

ETNs also issue an IRS Form 1099 and do not generate UBTI when held in qualified accounts; however, there are two important caveats. First, since ETNs are debt instruments, all distributions are classified as ordinary income, resulting in no deferred tax impact from ROC. Therefore, it may be beneficial to place ETNs in qualified accounts given their tax-deferred status. Second, investors are exposed to the credit risk of the institution backing the ETN. In the event that the issuer of the note or obligor defaults, ETN holders would become general creditors and would take their place in the capital structure during the bankruptcy proceedings. However, we believe the creation/redemption process of ETNs — the ability to redeem in particular — reduces default risk relative to traditional debt securities. Thus, as long as the creation/redemption process is functioning properly, the credit risk of an ETN is reduced significantly.

Keep in mind that distributions of ETNs are net of expenses. Thus, the distribution rate of an ETN should be lower than that of an ETF tracking the identical MLP index and with the same expenses. Instead, the expenses reduce the NAV of the ETF.

Structure selection

All three structures provide advantages and disadvantages, and different investors may prefer one structure over the others.

In our opinion, investors should favor a RIC structure for investing in MLPs if they:
1. wish to more fully participate on the potential appreciation of the assigned index by avoiding the performance drag from a potential DTL,
2. do not mind a less concentrated exposure to MLPs — up to only 25% of assets; and
3. do not require a tax-efficient distribution if it is held in a non-qualified account.

We believe investors should favor a C-Corp for MLP investment if they:
1. seek a more concentrated exposure to MLPs,
2. require a more tax-efficient distribution (assuming that it is held in a non-qualified account); and
3. find acceptable the potential for a performance drag on the MLP exposure relative to the assigned index as a result of DTLs.

Finally, investors should consider an ETN if they:
1. favor a more concentrated exposure to MLPs,
2. would like closer tracking to the total return potential of the assigned index,
3. do not require a tax-efficient distribution if it is held in a non-qualified account; and
4. are willing to assume the credit risk of the issuer.

The table below summarizes the decision factors for choosing one structure over the other. One structure is not necessarily better than the other, but one structure may be more appropriate for an investor given her specific objectives.

	RIC	**C-Corp**	**ETN**
MLP Exposure	*Up to 25%*	*Up to 100%*	*Up to 100%*
Tax-efficiency of distribution	*Limited potential for a portion of the distribution to be treated as ROC*	*A greater portion of the distribution is more likely to be treated as ROC*	*All distributions taxed as ordinary income*
DTL's drag on the performance of the portfolio's MLP exposure during strength in the MLP market	*None*	*Yes*	*None*
Credit risk of issuer	*None*	*None*	*Yes*

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Sprott Gold Miners ETF

July 19, 2016

Including gold stocks to your gold allocation has the potential to boost returns while maintaining the portfolio diversification benefits of gold.

In a rising gold price environment, gold stocks have the potential to provide additional returns because:

• The value of unmined gold reserves increases, making gold companies more valuable to investors

• The profitability of gold companies can rise exponentially relative to the price increase for gold Let's look at an example of a company producing 1 million ounces of gold a year:

In this illustration, an 18% increase in the price of gold translates into an 80% increase in profitability for the company.

	Gold @ $1,100 oz		Gold @ $1,300 oz
Annual Gold Production in Ounces	1 million	Annual Gold Production in Ounces	1 million
Annual Revenue	$1.1 billion	Annual Revenue	$1.3 billion
Cost of Production @ $850 oz	$850 million	Cost of Production @ $850 oz	$850 million
Net Profit	**$250 million**	**Net Profit**	**$450 million**

For illustrative purposes only.

Whatever the portion that gold represents in your portfolio, allocating 20% of it to gold stocks may improve the overall return potential. Let's look at the historical returns during the three most recent gold market rallies.

Gold Rally #1 – In the December 2000 to February 2008 gold rally, ncluding gold stocks generated significant value, providing an additional 5% of performance on an annual basis.

Gold Rally #2 – Following the 2008 financial crisis, adding gold stocks failed to generate incremental returns – the returns of gold and gold stocks were atypically comparable.

Gold Rally #3 – Starting on January 1st 2016 to June 30, 2016, having 20% of your gold allocation in gold stocks would have resulted in cumulative performance of 40.81% compared to 24.57% if you just held gold.

Historically, gold stocks entail greater risk and price volatility than gold bullion.

Performance as of June 30, 2016

FUND	CUMULATIVE				ANNUALIZED	
	1 Month	3 Months	YTD	Since Inception[2]	1 Year	Since Inception[2]
Sprott Gold Miners ETF (Net Asset Value)	24.40%	39.52%	104.01%	5.60%	65.19%	2.82%
Sprott Gold Miners ETF (Market Price)[1]	24.29%	39.39%	104.09%	5.56%	65.13%	2.80%
Sprott Zacks Gold Miners Index (Benchmark)[3]	24.46%	39.81%	104.90%	7.21%	66.53%	3.61%
NYSE Arca Gold Miners Index[4]	22.84%	38.64%	102.63%	7.36%	59.50%	3.68%

Total Expense Ratio of Sprott Gold Miners ETF is 0.57%.

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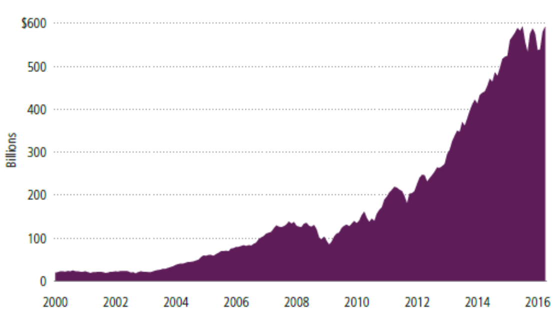
What if more investors adopt strategic beta?

For more than three decades, Dimensional Fund Advisors has invested using a systematic approach designed to outperform conventional market-cap-weighted indexes. Our equity strategies seek to increase expected returns by pursuing size, relative price, and profitability premiums while sharing many of the benefits of conventional indexes, including low fees, low turnover, and broad diversification. In efforts to outperform conventional indexes, we focus on all aspects of implementation, including research into the dimensions of expected returns, thoughtful portfolio structure, and efficient portfolio management and trading.

In more recent years, investors have been presented with many new indexes that seek to outperform conventional market-cap-weighted indexes. In some cases, these approaches break the link between a stock's desired weight and its market cap and instead derive the desired weights from characteristics such as book value, earnings, or recent performance. They go by many monikers, but strategic beta has become one of the most commonly used. Strategic beta index-based approaches have been garnering both interest and assets, growing to more than $500 billion over the past 15 years.

Does strategic beta's popularity threaten expected return premiums with extinction?

Total net assets in strategic beta funds, January 2000–April 2016



Source: Morningstar, 2016.

Data shows that strategic beta indexes sometimes provide investors with exposure (occasionally inadvertently) to size, value, and profitability premiums, but may do so inefficiently and may subject investors to unnecessary risks. Given Dimensional's experience pursuing such premiums, many of our clients have asked what could happen if strategic beta indexes become even more popular. Would these premiums go away? Like many questions dealing with complex subjects, the short answer is—it depends.

New demand altogether or a redistribution of existing demand?

To begin, it is not clear whether strategic beta indexes are attracting additional demand to certain types of securities or if the inflows represent a transfer of assets from managers who target a similar set of securities using a more traditional active approach. For example, some strategic beta indexes focus on securities with a low price relative to fundamentals, such as book value or earnings, in an effort to increase expected return. Many traditional value managers tend to do the same thing. If the inflows to value-based strategic beta indexes come at the expense of traditional value managers, the total demand for low relative price stocks may not change much. One can make a similar argument for the size or profitability premiums. Without analyzing aggregate demand at the security level, it's not clear if inflows to strategic beta will greatly change the demand for certain types of securities.

While there is no compelling evidence that demand for securities held by strategic beta mandates has increased, one might ask—what could keep the expected premiums from diminishing? Consider the equity premium, the higher expected return of stocks over Treasury bills. Although realized equity premiums can be negative over certain periods, there is little evidence that expected equity premiums are ever negative. This is sensible because investors generally demand compensation to bear the greater uncertainty of equity asset prices relative to T-bills. Not everyone chooses to invest only in equities, even with the expectation of higher returns, because investors differ in their risk preferences, needs, and goals. We also know that it is not feasible for all investors to hold only stocks. For everyone who wants to overweight equities, there has to be someone who wants to overweight bonds.

Within equities, how probable is it that all stocks have the same expected return? Just as it is reasonable to expect equities to have higher expected returns than bonds, it is reasonable to expect different stocks to have different expected returns. Indeed, for a variety of reasons, the possibility of all stocks having one unique expected return is virtually zero.

To identify information that can be used to determine differences in expected returns between securities it is useful to begin with the valuation equation, which implies that the expected return of a stock is driven by the price paid for it today and the cash flows expected to be generated by it in the future. So, regardless of whether differences in the expected return of a stock are attributed to differences in its perceived risk or investors preferences or both, market prices and profitability contain information about these differences in expected returns. A low relative price is one

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indication that the market has discounted a company's expected future profits more heavily. Applying the same valuation logic, companies with similar price characteristics but different levels of expected profitability should have different market discount rates.

The benefits of playing a zero-sum game

What happens if everyone becomes a value investor? We won't ever know simply because it's not possible. Collectively, all investors must hold the entire equity market. For every investor who wants to overweight stocks with lower relative prices, there has to be an investor who wants to overweight stocks with higher relative prices. As long as there are differences in the discount rates market participants apply to different stocks, a strategy that uses a combination of current market prices can identify those differences. Continually using current prices is the key to identifying the differences in discount rates that the market has applied.

While we expect positive size, value, and profitability premiums, not all strategies that pursue those premiums are created equally. Investors always have the option to invest in a plain-vanilla broad market index fund. This is a fair approach as these funds tend to be transparent, low cost, low turnover, and well diversified. The success of conventional market-cap-weighted indexes can be explained in part because they have delivered what they have set out to deliver—market rates of return. However, investors should be careful when extrapolating conventional indexing's successes—not all strategic beta indexes will be able to deliver on aspirations of outperforming the market. Back-tested research is not enough. The real-world implementation details matter.

For example, if a strategic beta index ignores market prices, it is difficult to infer if it will have a higher expected return than the market prospectively. In back-tested research, the index may have provided inadvertent exposure to stocks with low relative prices and high profitability and outperformed the market. However, if current prices are ignored in index construction, this suggests that the index design does not account for consistently capturing that exposure, and it may not outperform in the future.

When designing strategies at Dimensional, we begin with research into how markets work. A sensible story can boost one's confidence that a premium is positive in theory, while a low-cost approach improves the chances of capturing premiums in practice. No premium is a sure thing; costs, on the other hand, irrefutably lower investors' net returns.

Investors should consider whether a strategy would be a good investment even if the premiums are smaller in the future or do not appear at all. Some questions to consider when evaluating a strategy follow.

- **Does the strategy use current prices when choosing securities?** The expected return of an investment is driven by the price investors are willing to pay and what they expect to receive. If a strategy ignores current prices, a vital component of what drives differences in expected returns is omitted.
- **Is there unnecessary turnover?** Security weights that are not tied to market cap weights, such as equal weighting or rank weighting, may incur excessive turnover that increases implementation costs without increasing expected returns relative to a market cap-based approach.
- **Is the portfolio well diversified given its mandate?** Are there avoidable risks? Investors should be cautious of an approach that allows for extreme positions in a few securities. This approach can yield impressive back-tested performance, but it can also result in significant company-specific risk in a client's investment portfolio.

If you're wrong, a market-like return is not a bad consolation prize

It is important to have a solution that will be at least as good as the market portfolio in most scenarios, including those in which the premiums fail to show up. A strategy with high implementation costs will have lower expected returns than the market portfolio if the targeted premiums do not exceed the costs. Keeping a portfolio's opportunity costs deviating from the market relatively low helps the strategy maintain market-like expected returns even if the premiums do not appear in the future.

What happens to premiums if more investors adopt a strategic beta approach, and will the dimensions of expected return be there in the future? While we cannot say what the returns of size, value, and profitability premiums will be, it is far from certain the aggregate demand for the stocks that drive these premiums has increased such that the premiums are expected to be smaller going forward.

In any case, it's the details around how to pursue those premiums that's most worthy of our focus. A well-designed strategy that seeks to capture size, value, and profitability premiums should minimize its opportunity cost relative to a broad market index. Using current prices in every part of the investment process, remaining well diversified, pursuing only premiums that can be captured with low turnover, and maintaining a flexible approach to portfolio management that balances competing premiums and considers trading costs are among the key tools that can be used to minimize opportunity costs. Dimensional has been weighing these considerations to construct and manage client portfolios for more than three decades.

Click here for complete reading

Global Real Estate Securities

July 2016

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Investment Review

Global real estate securities rallied in July, adding to their healthy year-to-date gains. Stocks generally continued to move higher after the initial shock of the U.K.'s Brexit vote wore off in late June. While fears of worst-case scenarios eased in terms of Brexit's potential impact on global growth, expectations of further monetary accommodation and global uncertainty kept bond yields near historically low levels. Indeed, about a third of the world's sovereign debt offered negative yields in July. In this environment, investors were willing to take on risk in pursuit of yield, to the benefit of dividend-paying equities, including real estate stocks. Real estate markets were broadly positive by region and country.

U.S. REITs (4.6% total return1) continued to perform well, favored for their relatively predictable cash flows and above-average yields amid slow economic growth and low interest rates. Earnings reported in the month were mixed in the context of high expectations, although they continued to reflect favorable real estate fundamentals in most sectors.

The office sector (7.6%2) outperformed. SL Green Realty, which focuses on New York offices, rose more than 10%. The company reported better than expected earnings, aided by strong leasing activity, with 75% of its full-year leasing goal met in the first half of 2016. The industrial sector (8.4%) also performed well, on strength in Prologis, which reported generally good results. Notably, the company owns some properties in the U.K. that, in a brief period so far, seem to have been little impacted by Brexit.

Hotels (10.2%) had a strong showing, despite relatively weak fundamentals, narrowing the degree of their year-to-date underperformance. Self storage (–5.9%) and data centers (–3.4%) declined in July. Self storage companies continued to struggle due to concerns that the group's growth, while still strong, may be decelerating. Data centers fell back after posting leading year-to-date gains.

Canada (2.1%) had a gain despite a pullback in oil prices from near $50 per barrel toward $40. Although commercial real estate fundamentals in the country have been lackluster, a recovery in oil prices from February lows (below $30) has led to more confidence in the country's resource-dependent economy.

The U.K. Regained Some Footing

The U.K. (5.2%) gained back some of the sharp losses it had in the days following the Brexit vote. As expected, the economic data turned weaker, with signs that the country may enter a short recession. The Bank of England indicated that it would step up efforts to stimulate the economy, including by reducing interest rates as soon as August. In company reporting news, industrial property owner SEGRO exceeded cash flow expectations for the first half of the year. Although Brexit continues to present risks, the company signed new leases even after the vote, and management expressed optimism that fundamentals (strong demand from ecommerce/delivery companies, combined with low supply) would outweigh referendum concerns.

Index Performance (US$)

	Linked Benchmark[1]
MTD	5.02%
YTD	14.33%
1 Year	13.30%
3 Year	9.42%
5 Year	8.71%
10 Year	4.36%

(1) The linked benchmark consists of FTSE EPRA/NAREIT Developed Real Estate Index. Prior to 12/31/06, the returns for the index are from S&P Developed Property Index.

The returns for the benchmark are presented net of dividend withholding taxes for all periods available.

Performance data quoted represents past performance. Past performance does not guarantee future results.

This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index and index performance does not reflect the deduction of fees, expenses or taxes.

Periods greater than one year are annualized.

Index Characteristics

	FTSE EPRA/NAREIT Developed Real Estate Index (Net)
Premium to NAV	12.7%
Premium to DDM	12.8%
Dividend Yield	3.5%
Price/Cash Flow (2016E)	20.0x
Cash Flow Growth (2016E vs. 2015)	7.3%
Cash Flow Growth (2017E vs. (2016E)	5.8%
5-Year Cash Flow Growth	4.9%
Total Market Capitalization	$1,713.4B
Weighted Average Market Cap.	$15.5B
Number of Holdings	333

Source: Cohen & Steers.

Characteristics are market capitalization-weighted averages of estimates for companies in the FTSE EPRA/NAREIT Developed Real Estate Index (Net) and are subject to change over time.

Markets on the continent were positive across the board, supported by low/negative interest rates and improved sentiment that economic damage would not spread beyond the U.K.'s borders. The European Central Bank continued to purchase corporate bonds as part of its newly expanded quantitative easing program, buying more longer-dated and lower-quality issues than the market expected. This contributed to downward pressure on yields.

In France (8.3%), the low-rate environment and modest operating improvements resulted in further increases in property valuations. Pan-European retail landlord Klépierre reported first-half 2016 results that showed improvements in rents, retail sales and capital values, and management upgraded its full-year guidance. The Netherlands (7.2%) and Germany (7.9%) also advanced.

Spain (7.8%), which lately has had one of Europe's best performing economies, saw an easing of political risk. The country has been in political limbo for six months, but the election results in late June seemed to increase the likelihood that the conservative People's Party (which did better than expected) and the Socialist Party would form a governing coalition.

Hong Kong Led Asia Pacific Markets

The sizable gain in Hong Kong (11.8%) was driven by the prospect for an extended period of low interest rates in the U.S. (Hong Kong's monetary policy is tied to U.S. monetary trends), along with stronger than expected economic growth in mainland China. Good performers included developer Sun Hung Kai Properties, favored for its attractive dividend yield, and retail landlord Wharf Holdings, amid a moderating decline in retail sales.

Japan (0.8%) underperformed. Late in the month, the Bank of Japan disappointed markets by only incrementally adding to its monetary stimulus. Developers underperformed J-REITs, partly in response to a slightly higher Tokyo vacancy rate due to new completions. Hotel REITs outperformed as inbound visitor numbers resumed their upward trend.

In Australia (5.4%), residential developers Mirvac Group and Stockland continued to perform well in the wake of a May interest-rate cut by the country's central bank, despite signs of apartment oversupply in select markets. Certain companies with higher-quality east coast properties leveraged to lower interest rates also outperformed, including mall landlord Scentre Group and office/industrial owner Dexus Property Group.

Singapore (2.6%) advanced despite continued soft real estate fundamentals for office and retail markets, benefiting from investors' search for yield. Mapletree Commercial Trust outperformed; the company announced a S$1 billion (US$750 million) equity offering to fund the purchase of a large business park asset that will be accretive to earnings. CapitaLand underperformed after key China mall peers reported decelerating fundamentals.

Investment Outlook

We maintain a positive view of the U.S. property market based on healthy operating fundamentals combined with moderate levels of new supply in most markets, the steady growth of the U.S. economy and a dovish central bank outlook. However, after strong performance from February's lows, valuations are not as compelling as they were, and we are underweight the country. We believe cash flows generally should continue at a moderately strong pace, although some cities are facing increased new supply, which may lead to lower rent and occupancy growth rates. Interest rates remain near historically low levels, and with domestic and global growth uncertainties making the Fed more cautious, low rates should continue to support property valuations.

We generally favor U.S. property sectors that offer an attractive combination of growth and value, as well as less cyclical REITs trading at attractive valuations, based on their defensive growth characteristics at a time of heightened uncertainty.

U.K. Sector Focus Could Prove To Be Critical

The Brexit vote is likely to have a near-term negative impact on the U.K. economy, due to reduced investment and hiring amid heightened business uncertainty. In our view, a shallow recession in the U.K. over the next 6 to 12 months is likely. Much of the long-term economic effect would depend on how favorable a deal the U.K. is able to negotiate with the EU and other countries. A negotiated exit will likely be at least a two-year ordeal.

We were very cautious toward London office and residential companies in the months ahead of the Brexit vote based on our concerns about slowing rental growth and peak valuations in these markets, and we continue to have minimal exposure to them. Instead, we have increasingly favored U.K. companies that we believe exhibit more defensive growth characteristics. These include landlords in sectors such as self storage, logistics, student housing and health care. Self storage is a less mature market in the U.K. compared with the U.S., with relatively low occupancy rates and further growth potential, even factoring in potential economic headwinds.

The logistics sector in the U.K. has seen rising demand driven by the growth of e-commerce, which is in secular expansion. The student housing market is economically insensitive and experiencing significantly greater demand for space, pushing up property values. And, in our view, health care property owners should benefit from relatively steady, economically defensive cash flow growth owing to the fact that rents are essentially guaranteed by the National Health Service, an arm of the U.K. government.

Continental Europe Faces Political Risks

On the continent, Brexit has raised political risks, as the Leave vote might encourage other European countries to consider their own exits. The interim negotiations between the U.K. and the EU will be watched closely for implications of other potential exiting nations. In terms of any economic impact on the region, the president of the European Central Bank stated that Brexit could reduce economic growth in the euro-zone by a cumulative 0.3% to 0.5% in the next three years.

In this light, we expect the ECB to at least maintain recent levels of easing, given the bank's aim to protect the region from external shocks, including threats related to this new development. While we are monitoring events closely, for now we maintain a generally constructive view of Europe's property markets, particularly dominant shopping malls in major city centers that offer attractive valuations and the opportunity to benefit from a recovery in retail spending. We also favor residential landlords in Germany, which are benefiting from a combination of strong job and wage growth, and low levels of new construction.

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Is a Passive Approach Appropriate in the Non-Investment Grade Debt Markets?

Introduction

Investors have debated the merits of active and passive investing for decades with proponents on each side making valid points in support of and against each approach. The convenience of "buying the market" to gain broad exposure to an asset class in a low-cost investment is an elegant and enticing solution. Moreover, a leading argument made in favor of the passive approach, or "indexing," is that while actively managed portfolios have the potential to deliver higher portfolio returns than an index, they generally do not generate enough excess return over time to justify the higher management fees inherent in actively managed strategies. Whatever the reasons, passive strategies have gained significant traction over the past decade, as is evidenced by the significant growth in both equity and fixed income passively managed index based strategies. While investors have used passive strategies in both equity and traditional fixed income for many years, there has been a proliferation of passively managed index based alternatives in the high-yield bond and senior loan asset classes more recently. Specifically, within the high-yield bond market, two passively managed index based exchange-traded funds (ETFs) have grown assets to over $30 billion over the past 8 years. Within the senior loan market, a single passively managed index based ETF has gathered approximately $4 billion over the past 5 years. With such significant asset growth in these strategies, an important question arises; is passive indexing an effective way to manage assets within the high-yield bond and senior loan asset classes?

In this paper we will attempt to provide the answer to that question by analyzing the active and passive approaches in the high-yield bond and senior loan markets. Specifically, we will evaluate these approaches across five key criteria:

- Portfolio Construction
- Cost
- Performance
- Risk/Standard Deviation
- Liquidity

Portfolio Construction

The typical method for constructing an equity index is to use a method called market capitalization weighting. An equity index constructed using a market capitalization weighting method uses a rules based approach to determine the eligible securities based on certain criteria such as size or sector. Once the eligible securities are identified, the market value of each eligible security is calculated to determine the weighting within the index. By contrast, a fixed income index will typically use a method called debt capitalization weighting. The methods are similar, however, instead of determining weights in the index by market value of the equity, the market value of the debt outstanding determines the weighting. The diagram below illustrates the weighting methodology of most noninvestment grade indices.

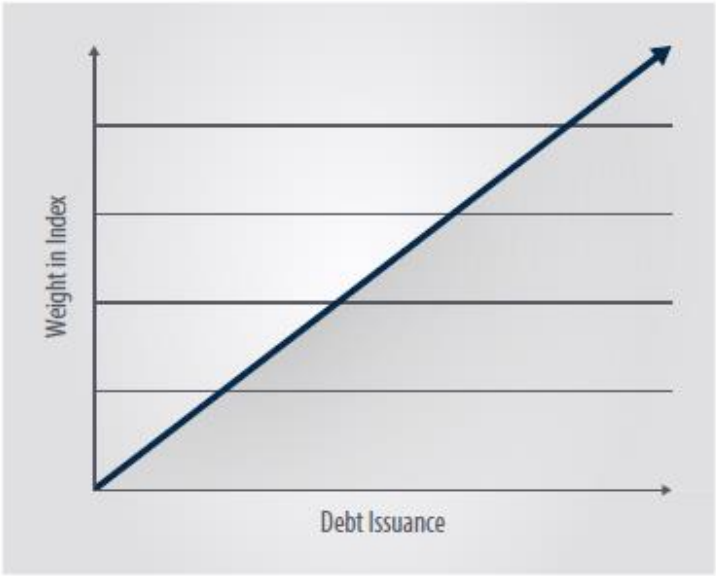
A passively managed index replicating strategy that attempts to mirror a debt capitalization weighted index is exposed to a number of risks. For instance, as a company issues more debt, it becomes a larger percentage of the index and therefore a larger component of a passively managed index based portfolio with a mandate to mirror that index. Moreover, as companies in an industry issue more debt, the industry becomes a larger percentage of the broader index which could cause the underlying sector weightings to expand over time. This is relevant because typically, the more debt a company or industry incurs, the greater the probability of default for that company or industry.

The passive approach to portfolio construction contrasts significantly with the actively managed portfolio construction approach. In an actively managed approach, the portfolio weights are determined by a portfolio manager using some form of merit based selection. This approach may integrate perspectives on the macro environment, sector and company specific fundamental credit research, as well as portfolio construction techniques (e.g. diversification, relative value, and liquidity) in the portfolio construction decision making process.

An actively managed approach will likely result in dramatic differences between the actual holdings and the weightings within a portfolio when compared to an index. This is the result of the portfolio management team's ability to use a merit based approach to portfolio construction which allows the highest weightings in the portfolio to be consistent with the portfolio management team's best ideas, irrespective of the market value of the debt outstanding for an issue.

Traditional Cap-Weighting Approach

An issuer's weight in the index is a function of the quantity and current price of its outstanding debt.



Portfolio Construction Investment Implications

Passive index strategies may have a higher weighting to the most indebted borrowers, as these borrowers are typically the largest issuers in the market. The selection criteria is not merit based, and tends to favor, or reward, the largest debt issuers in a "hot" sector or "hot" market.

Example: Within the senior loan market, Energy Future Holdings, also known as TXU (TXU primarily engages in the generation, retail sale, and wholesale distribution of electricity to residential and business customers in Texas) has been the largest issuer and therefore the largest constituent of the S&P/LSTA Leveraged Loan Index for many years. The chart below illustrates the weighting of TXU within the senior loan index and the market price of the loan. As one can easily see, the price of the TXU senior loan deteriorated over time as the company's financial condition worsened. Eventually it became obvious to market participants that a restructuring was inevitable and in 2014, the company filed for bankruptcy. As the credit fundamentals of TXU deteriorated, the weight within in the index declined but remained well above 2%. As a result, those funds using a passive approach continued to allocate a significant weight to TXU. At the time of default, the weighting in the index was 3.46% and was still 2.40% of the index as of March 31, 2016.

TXU Loan Price and Par Weight in the S&P/LSTA Leveraged Loan Index
October 2007 – March 2016

Past performance is not indicative of future results and there can be no assurance past trends will continue in the future.

The mechanics of cap-weighted indices all but guarantee that an investor's exposure will gravitate toward "hot" sectors of the market as they become larger weights within the index. As issuance increases in certain sectors, passive index strategies will naturally increase the exposure to that sector.

Example: The adjacent chart illustrates the steadily increasing energy sector's market value within the Bank of America Merrill Lynch (BAML) US High-Yield Constrained (HUC0) Index from 1999 – March 2016. As the shale oil and gas production revolution within the United States unfolded, companies issued billions of dollars of debt (much of it high-yield) to support drilling activity in the U.S. As investors flocked to participate in the revolution, this led to a steady increase in the weight of the energy sector within high-yield bond indices.

Another relatively recent example of this phenomenon occurred in the telecommunication sector and began in the late 90s and lasted into the early 2000s. During this period, telecommunication companies issued debt to expand their networks. By June 2000, the telecommunications sector exposure was over 20% in the index. Many of the companies issuing debt at that time were first time issuers in the early stage of their life cycle and therefore they did not generate free cash-flow as they aggressively and perpetually borrowed and invested to grow. This is often referred to as a "build it and they will come" investment thesis. As has been the case with the recent energy rout in the high-yield market, the telecommunications sector suffered a similar fate.

BAML US High-Yield Constrained Index (HUC0) Energy Exposure
January 1999 – March 2016

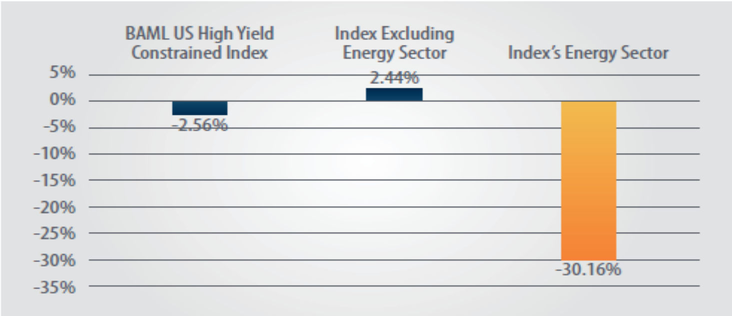
Market Value of Telecommunications in the HUC0 Index
December 1997 – April 2002

The deterioration of the energy and telecommunication sectors in these examples are a sobering reminder that the passively managed index based approach can lead to unintended consequences and favor "hot" sectors of the market. This can result in outsized exposure to the riskiest issuers in the high-yield market.

To demonstrate the returns of these "hot" sectors after the peak, we analyzed the 18 months following the peak of each sector's weight within the index, and compared the returns to all other sectors within the index. As the charts illustrate, the increasing weight of both the telecommunications sector which peaked in 2000 and the energy sector which peaked in 2014 within passively managed index based strategies had a profoundly negative impact on total returns over the following 18 months.

While there is no guarantee that an active management approach would have mitigated the negative impact, the flexibility offered by active management might have allowed an active manager to recognize the risk in these sectors and adjust the portfolio allocations accordingly.

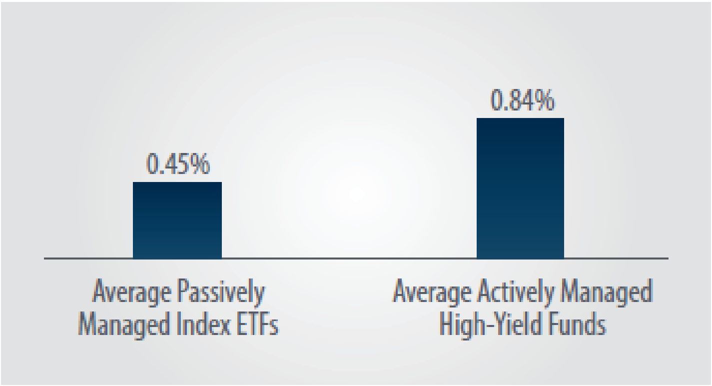
Energy | Total Returns
9/30/2014 – 3/31/2016



Cost

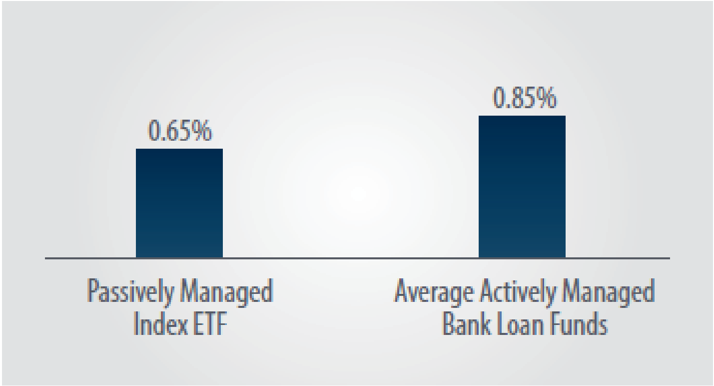
Fees are an important consideration for investors as higher fees erode the net return to the investor. Passively managed index based strategies typically charge lower fees than actively managed strategies. Indeed, we find that this is the case within the noninvestment grade fixed income asset classes. The charts illustrate the average expense ratio for non-investment grade passively managed index based strategies and actively managed strategies.

High-Yield Bond Fund Expense Ratio Comparison



Source: Morningstar, First Trust Advisors L.P. Data is as of June 30, 2016 for funds in existence for more than 1 year which represents the largest sample size of available data. The passively managed index fund average represents the average of the two largest passively managed index based high-yield bond ETFs, while the actively managed high-yield fund average represents the Morningstar high-yield bond category constituents that were in existence during the past year.

Bank Loan Fund Expense Ratio Comparison



Source: Morningstar, First Trust Advisors L.P. Data is as of June 30, 2016 for funds in existence for more than 1 year which represents the largest sample size of available data. The passively managed index fund represents the largest passively managed index based bank loan ETF, while the actively managed bank loan fund average represents the Morningstar bank loan fund category constituents that were in existence during the past year.

As one can see, passively managed index based strategies benefit from lower fees. Within high-yield bond fund strategies, the passively managed index based strategies benefit from 0.39% lower average annual expense ratios compared to the actively managed high-yield bond fund universe. Within senior loans, the passively managed index based strategy has a 0.20% annual cost advantage relative to the actively managed senior loan fund universe. In isolation, the lower fees for passive index strategies is an advantage in favor of passive strategies as there is a lower drag on net returns to investors.

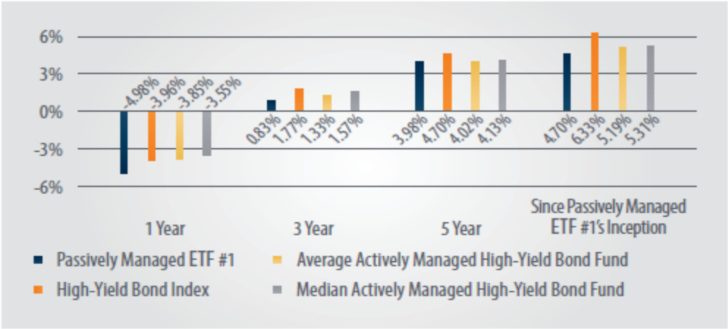
Performance

In the previous section, we illustrated that passively managed index based strategies benefit from lower fees relative to actively managed strategies within the noninvestment grade asset classes. This single fact may lead one to conclude that passive index strategies will have superior performance as they have a smaller fee drag on net performance. However, the expense ratio is just one variable in the equation. The more important question to ask is, do actively managed strategies generate excess returns through credit selection and portfolio construction to generate superior net returns when compared to the passively managed index based strategies?

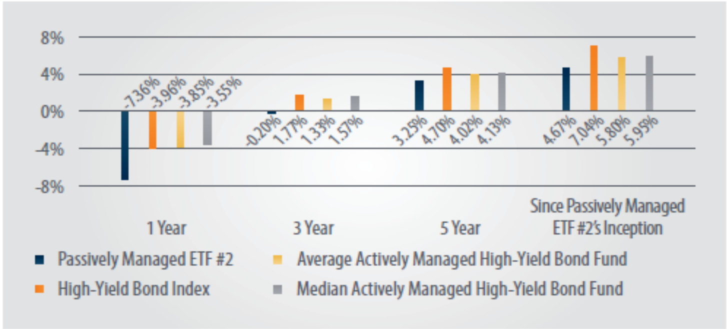
High-Yield

The two charts illustrate the returns of the two largest passively managed index based high-yield bond ETFs. The performance of each of these funds over the last one year, three year, five year and since inception periods is compared to the average and median net return of Morningstar's actively managed high-yield bond mutual fund universe.

Average Annual Total Returns (As of 3/31/2016)



Average Annual Total Returns (As of 3/31/2016)



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Aberdeen Japan Equity Fund, Inc. (JEQ)

July 2016

Authored by:
Kwok Chern Yeh
Head of Investment Management, Japan
Aberdeen Asset Management

How has the British vote to exit the European Union (Brexit) impacted Japan?

We believe it has driven investors to perceived safe havens such as the yen, which dipped below 100 to the U.S. dollar for the first time in three years. The Japanese currency had already been appreciating due to dampened expectations over a Federal Reserve rate rise. Yen strength bears down on the profits of exporters, whose goods become more expensive internationally. The yen has also led stocks down, conforming to a longstanding pattern of inverse correlation.

What is the outlook for Japan's economy?

It continues to struggle with weak demand for its goods as other major economies battle their own problems (see Chart 1). Prime Minister Shinzo Abe has been distancing himself from the Bank of Japan (BOJ), whose governor, Haruhiko Kuroda, has seen his credibility hit by the failure of inflation targeting. Wages are stagnant and consumers have held back purchases. Meanwhile, the BOJ's experiment with negative interest rates continues. But judging by declines in Japanese stocks this year, investors seem to think the central bank is running out of options. The ruling coalition won the upper-house parliamentary election convincingly in July, giving it a two-thirds majority in both upper and lower houses.

Abe looks set to launch a new fiscal stimulus to upgrade transport infrastructure and boost childcare and nursing services. The BOJ has pledged to ease policy further if yen appreciation becomes excessive, probably by cutting interest rates and/or extending asset purchases. Having "doubled down" on its monetary bets, it now owns more than a third of Japanese government bonds.

If there are no macro catalysts, has the market's run ended?

In local currency terms the Topix* gave up around 19% for the six months to the end of June. That equates to a loss of 4.8% in U.S. dollar terms, which is better than -7.8% dollar returns in Europe. In dollar terms, small caps are modestly up. So I don't think we can read too much into the numbers. It's true that foreigners have been selling this past quarter, but the BOJ and Global Pension Investment Fund (GPIF) continue to buy assets, so there is support for stocks. At the corporate level cash is being conserved. Unlike companies in other developed markets, Japanese ones have in general resisted borrowing to buy back shares or increase dividends, although there is arguably a case for both now. Much comes down to individual stock valuations. Broadly these are fair.

So how would you approach the market now?

I would not be buying beta (Beta is a measure of the volatility of a portfolio in comparison to a benchmark index). In our experience many investors see Japan at 8.5% of the MSCI World Index and take a view, based perhaps on historical prejudice, that Japan isn't a very strong market for returns, so they allocate maybe 4-5% to the market instead. If they get the bet wrong they hope to make it up elsewhere. Index-tracking funds work fine for these purposes; there are hedged Exchange Traded Funds (ETF), too. Active funds in Japan often have a thematic bias or don't explain themselves well. We believe the present focus on governance, along with the poor showing of banks, means active managers who focus on value ought to do better than passives.

What are the fundamentals like?

As home to the world's fourth-largest stock market, Japan has a lot of companies for the diligent stock-picker to choose from. What's more, the market is under-researched (see Chart 2). Of nearly 3,000 companies on the Topix, almost a third are not covered by analysts. We believe that if you do your digging, you can almost always find interesting prospects. Structurally, therefore, the market is attractive. However, low liquidity caused by limited free floats is often cited as a problem. Companies can stay cheap for a long time.

The better companies now have cash to pick off rivals or reinvest, and there are some strong themes: the aging society, offshoring and convenience. Although these are not necessarily new themes, opportunities are always emerging. The difficulty is the lack of widespread demand that would support a pickup in earnings.

Do you favor home-focused companies or exporters?

We don't have a pre-determined view. Besides, it's rare to find a company that can be identified as a pure domestic company or exporter. Behind even straightforward businesses can lie complex global supply chains. Japan's "hollowing out" has been going on for three decades at least. Some companies we own have Research and Development (R&D), design and operational headquarters in Japan but production and customers around the world. We like companies that have localized their operations in pursuit of overseas customers, as they tend to be on top of costs and have flexibility in production. Those in faster-growing emerging markets are often best placed.

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Fund Updates

- Calamos Closed-End Funds (NASDAQ: CHI, CHY, CSQ, CGO, CHW and CCD) Announce Monthly Distributions for August 2016 – July 29
- Clough Global Opportunities Fund Announces Fund Distribution Rate Change and Declares Monthly Cash Distribution – August 8
- Cornerstone Funds Announce Continuing Monthly Distributions for 2016 and Distribution Percentage for 2017 – August 5
- Cushing® MLP Total Return Fund Announces Monthly Distribution – August 1
- Month-End Portfolio Data Now Available for Federated Investors' Closed-End Funds – August 15
- Federated Investors' Closed-End Municipal Funds Declare Monthly Dividends – August 9
- First Asset Closed-End Funds July Distributions – July 20
- First Trust Mortgage Income Fund Decreases its Monthly Common Share Distribution to $0.065 Per Share for Aug – July 20
- Gamco Investors Inc. Declares Quarterly Dividend of $0.02 (GBL) – August 6
- Guggenheim Investments Announces August 2016 Closed-End Fund Distributions – August 1
- Horizons announces July 2016 distributions for certain active ETFs – July 20
- John Hancock Premium Dividend Fund Notice To Shareholders - Sources Of Distribution Under Section 19(a) – July 29
- Legg Mason Partners Fund Advisor, LLC Announces Distributions for the Month of August 2016 – July 212
- MFS Releases Closed-End Fund Income Distribution Sources for Certain Funds – July 25
- Neuberger Berman Closed-End Intermediate Municipal Funds Announce Monthly Distributions – August 15
- PIMCO Closed-End Funds Declare Monthly Common Share Distributions – August 1
- PineBridge Investment Grade Preferred Securities Fund Announces Monthly Cash Distribution – August 19
- Pioneer Investments Declares Monthly Distributions for Closed-End Funds – August 3
- Stone Harbor Emerging Markets Total Income Fund Declares Monthly Distributions of $0.1511 Per Share – July 20
- Tortoise Capital Advisors, L.L.C. Announces Release of the 2016 Second Quarter Report for Closed-End Funds (TYG, NTG, TTP, NDP and TPZ) – July 21
- U.S. Housing Recovery Fund Announces Monthly Cash Distribution – August 19
- Voya Equity Closed End Funds Declare Distributions – August 15

GICS Sector Expansion: Spotlight on Real Estate

Tuesday, August 16, 2016 | 11:00 AM ET

Featured Presenter

Jason A. Yablon
Senior Vice President
Cohen & Steers

COHEN & STEERS

Ted Valenti:
OK good afternoon everyone and thank you for joining us today—for today's webcast titled "GICS (Sat Through) Expansion Spotlight on real estate. My name is Ted Valenti. I'm senior vice president, senior product manager here at Cohen & Steers and I'm happy to be joined today by senior vice president and portfolio manager Jason Yablon.

First off, I'd like to thank all of you for joining us today. We recognize that we have a lot of Cohen & Steers asset holders on the line with us and we're grateful for all of you and for your investments and the trust that you have placed in us. So as pioneers in the space and the REIT space when Marty Cohen and Bob Steers launched the strategy back in 1991, (as) the first form mutual fund in 1991, they did so with the belief that real estate would be would become an increasingly more securitized and that the REIT structure would be combining the best characteristics of underlying real estate along with the benefits of daily trading and daily liquidity.

And here we stand over 25 years later. The asset close has grown exponentially from about $10 billion and a market cap with a market cap currently at $900 billion so from $10 billion to $900 billion in a little over 25 years, and that's the U.S. alone. If you look at it on a global basis, we're roughly you know just under $2 trillion in liquid market cap—listed market cap and you know when you couple the growth in the market with the returns that we've seen from the asset class over the past two decades or so it's quite remarkable.

So we're at the point in time now where further acknowledgement and real estate is being made as a distinct asset class and is one of growing importance in the global market. Both S&P and MSCI have announced that REITs will become the 11th GICS or global industry classification standard in September of this year. So we're less than a month away now and in our view this event is likely to bring about many changes. Certainly you know more attention to the space at the very least. As a leader in the space, we believe that we are uniquely positioned to share our thoughts on the implications that will come as a result of this event. And specifically we believe that you're likely to see an increase in demand, lower volatility, and also they'll have an impact on allocations and the way that we all go about contracting client portfolios moving forward.

So with us today, to dive a little bit deeper into the changes that we believe will take place and our opinion on these matters is Jason Yablon. Jason again is the senior vice president and the portfolio manager on many of our REIT strategies. He has over 15 years of investment experience and has been with the firm since 2004. So at this point I'm going to turn it over to Jason and at the conclusion of his comments, we look forward to answering your question. Jason the floor is yours.

Jason Yablon:
Great, thanks Ted and thank you everyone for joining this call. So first on slide three, I want to go over some of the facts and then we'll talk a little bit about why it's occurring and what the implications are. So first as Ted mentioned in March of 2015, S&P and MSCI, announced that they will be creating a new GICS category for real estate. This change will occur after market close on August 31 and it will be implemented among the MSCI and S&P ETFs in September 16 which is their rebalancing as part of their annual re-balancing date.

Specifically as it relates to XLS, just so you know, they will be sending out a real estate (leave) of that ETF during that during that re-balancing. In addition, you know, what we do think will occur is obviously this allows REITs to be highlighted as a separate asset class. And the question is really why is this happening today? And if you think back to as Ted mentioned the growth in the market cap of the industry, it's been tremendous. The returns have also been very, very good over turn. But I think what's different is REITs have finally been recognized as a separate asset class.

When you think about how capital's been allocated to the sector, it you know things this sector trades a little bit differently. The fundamental drivers can be a little bit different. You know, we look at certain characteristics and valuation metrics that are different than what you look at in the broader market. We're focused on what the private real estate values are, the net asset value calculation for these companies are. The cash flow estimates that we're focused on are a little bit different. We're focused on funds from operations or adjusted funds from operations. So I think one the metrics are a little bit different and that I think has been recognized where you really do need specialists and a separate a separate allocation for this bucket in order to analyze it and to do well with it over time.

Number two when you think about the securitization of real estate in the marketplace, I think just given the market cap explosion over time, I think it's also begun to be thought of as a separate asset class. What I mean by that, is with REITs today at roughly $900 billion just in U..S. market cap, when you think about how much the listed market or the publicly-traded real estate market controls of the private real estate market is still very, very small. And it's a very capital intensive business and what that means is as the companies continue to expand and as the securitization of real estate continues to occur, real estate actually has a lot of room to continue to growth.

And so I think this is just an acknowledgement of the direction of the securitization of real estate that's occurring in the marketplace in the U.S. among commercial real estate owners and this trend I think is going to continue over long periods of time cause obviously there are lots of benefits to being public. And so I do think this trend is going to likely continue so you will likely see the market cap over time continue to grow and in that context obviously given that it's already gone from $10 billion to $900 billion it's helpful for it to be its own asset class as it continues to take share if you will of the broader indices.

The other element I would point to is just when you think about how institutions or thinking about their allocation, they have generally come to think about real estate as a separate a separate standalone entity. So it is thought about a little bit different on the institutional level. I think when and I think that's due to some of the characteristics where real estate stocks still generally trade over the long run closer to the private market value of real estate. So when you think about the long-term correlations between real estate and the broader equity market versus the private market, it's going to be more correlated to and it's going to move in the direction more so of the private market real estate value than it will in the broader equity market.

So for those reasons, real estate has finally come into its own so to speak and has been given it's own GICS classification. Now if you flip to slide four, we do think this will this will have implications for the real estate sector in general. So number one we think it will lead to increased demand. Real estate will no longer be hidden under the financial category and if you look at which we will in a moment but if you look at how generalist investors are positioned, they're generally underweight REITs and as a result the negative performance that have been contributed to those portfolios that have been underweight REITs over long periods of time will now be highlighted more distinctly as its own separate GICS category.

So I do think there will be some generalist equity managers who will be likely forced to cover their underweight and we'll get into that in a moment. Number two we do think there is the potential for reduced volatility. As you might imagine, being part of the financials bucket is going to lead to increased volatility. Banks are very interest-rate sensitive. Very yield curve sensitive and those business models have been changing dramatically and have been very prone to government involvement and government intervention from a regulation standpoint and as a result financials have been extraordinarily volatile over this timeframe. REITs being part of the financial bucket is oftentimes used as a way to play off banks because of that dynamic or when you have inventors using ETFs to express a view on banks REITs get caught up in that.

So as REITs become removed from the financials bucket we do think that that will likely lead to lower volatility. And ultimately from an allocation standpoint, we do think as I mentioned earlier, you know from a from a real estate allocation standpoint among the ETFs it will not likely not lead to a big impact from a supply demand standpoint. As I mentioned XLS is being spun out. The real estate piece of XLS is being spun out as its own ETF so that shouldn't change the near-term supply-demand dynamics for real estate. And number two obviously I mention you know the board generalist underweight wil likely require some to cover their position.

And if you see on slide five, here we highlight how generalist funds are positioned relative to REITs versus their benchmark. So the point that I like to make here if you look at the value funds on the left-hand side of the page, if you're a mid-cap value manager, and this is looking at (48) mutual funds, they're on average they own 5.8 percent real estate versus 15.5 percent in their benchmark. So extremely underweight and when you think about the historical returns of real estate, obviously we've been outperforming dramatically over the last 10 or meaningfully over the last 10 years. And as a result it's generally been a negative contributor to performance for all of these or for most of these managers here.

And so when you think about the context of the underweight, I wouldn't be surprised if risk managers tell some fund managers that hey your 10 percent underweight REITs why are you 10 percent underweight REITs and oftentimes it's an afterthought because it's just hidden within their financials bucket so it's not obvious that they're that underweight REITs. So I do think this will likely lead to some covering of their of their underweight.

Now this doesn't't' necessarily mean that everybody's going to flip a switch and cover their position day one. I actually don't think it's going to work like that. But I do think the trends are that there certainly have been some GICS (expires) in the market recently.

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