Capital Link's
CEF & ETF Monthly Newsletter

JULY 2016
Volume 4 | Issue 7

Table of Contents

The Month in Closed-End Funds: June 2016

PERFORMANCE

For the fourth consecutive month both equity CEFs and fixed income CEFs on average witnessed plus-side performance on a NAV basis (+1.77% and +1.90%, respectively). For the fifth month in a row equity CEFs posted a positive return on a market basis (+2.37%), and fixed income CEFs (+3.09%) posted a plus-side market-based return for the seventh month running. For the month of June most of the major U.S. broad-based indices posted returns in the black. The NYSE AMEX Composite Price Only Index (+4.40%) posted the strongest return of the U.S. broad-based indices, followed by the Dow Jones Industrial Average Price Only Index (+0.80%) and the S&P 500 Composite Price Only Index (+0.09%). Meanwhile, the NASDAQ Composite Price Only Index (-2.13%) and the Russell 2000 Price Only Index (-0.25%) posted negative returns. However, the global markets didn't fare as well, with the Nikkei 225 Average Yen Price Only Index tumbling 9.63%, the Xetra Dax Total Return Index declining 5.68%, and the FTSE 100 Price Only Index losing 4.12% for June.

Equities started out the month on a sour note, dragged down by a weaker-than-expected May nonfarm payrolls report and a disappointing report from the Institute of Supply Management. The ISM nonmanufacturing index, while still signaling expansion, declined to 52.9 for May. The Department of Labor reported the U.S. had added a lower-than-expected 38,000 jobs for May, well below the consensus-expected 160,000, while the unemployment rate declined to 4.7% as 458,000 workers left the labor force during the month. In a flight to safety investors bid up Treasurys, gold, and the yen as they contemplated what the poor jobs report might do to the Federal Reserve's plans to raise interest rates in the near future. Oil was on the decline after an increase in the number of active U.S. oil rigs implied a higher output of crude oil.

Ahead of the Fed's June FOMC meeting and the "Brexit" vote, investors continued their flight to safety, driving yields lower and bidding up safe-haven investments. A related rise in the U.S. dollar put more pressure on oil prices, with near-month crude oil prices dropping below $50/barrel. The Fed's decision not to raise interest rates, accompanied by dovish comments by Fed Chair Janet Yellen and fears of the U.K. leaving the European Union, cast a pall over global markets. The NASDAQ composite witnessed its worst one-day drop since 2011 after Britain voted to leave the European Union on June 23. Declines in the U.S. indices wiped out year-to-date gains for both the S&P 500 and the Dow. With the likelihood of a near-term interest rate hike taken out of the equation, banks and other financial institutions took it on the chin.

Nonetheless, as investors realized that the divorce proceedings for the U.K. would take a few years to draw up and that the European Central Bank and the Bank of England were supportive of easing, expanding their stimulus programs, stocks witnessed their strongest three-day rally since February 17 at month-end, pushing most of the U.S. indices back into positive territory on a year-to-date basis.

During the month the yield on Treasury instruments fell to record lows after the Fed indicated its reluctance to raise interest rates, citing a decline in job gains and after the Brexit vote to secede from the EU. The seven- and ten-year Treasurys witnessed the largest declines in yield during the month, dropping 37 basis points (bps) each to 1.29% and 1.86%, respectively.

The Month in Closed-End Funds: June 2016

- For the fourth month in a row equity closed-end funds (CEFs) and fixed income CEFs witnessed plus-side performance on average, rising 1.77% and 1.90%, respectively, on a net-asset-value (NAV) basis for June.
- For June 22% of all CEFs traded at a premium to their NAV, with 13% of equity funds and 29% of fixed income funds trading in premium territory. Thomson Reuters Lipper's national municipal debt CEFs macro-group witnessed the largest narrowing of discounts for the month— 155 basis points (bps) to 0.65%.
- Emerging Markets Debt CEFs' strong performance (+4.35%) pushed the World Income CEFs macro-classification (+3.26%) to the top of the fixed income universe for the first month in three.
- The rebound in interest rate-sensitive stocks during the month helped push Lipper's Utility CEFs classification (+5.36%) to the top of the equity universe charts for the first month in five.
- Relatively strong returns from interest rate-sensitive securities and some natural resources helped catapult Lipper's domestic equity CEFs macro-group (+2.28%) to the top of the leader board for the second month in three.

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

THOMSON REUTERS

For June the dollar strengthened against the euro (+0.52%) and the pound (+9.65%), but it weakened against the yen (-7.31%). Commodities prices were mixed for the month, with near-month gold prices jumping 8.53% to close June at $1,318.40/ounce. Front-month crude oil prices fell 1.57% to close the month at $48.33/ barrel.

For the month 83% of all CEFs posted NAV-based returns in the black, with 69% of equity CEFs and 93% of fixed income CEFs chalking up returns in the plus column. Relatively strong returns from interest rate-sensitive securities and some natural resources helped catapult Lipper's domestic equity CEFs macro-group (+2.28%) to the top of the leader board for the second month in three, followed by world equity CEFs (+1.14%) and mixed-asset CEFs (+0.98%).

The rebound in interest rate-sensitive stocks during the month helped push Lipper's Utility CEFs classification (+5.36%) to the top of the equity universe charts for the first month in five. It was followed closely by Energy MLP CEFs (+5.02%). Developed Markets CEFs (-2.12%) and Options Arbitrage/Options Strategies CEFs (-0.24%) were the only equity CEF classifications posting negative returns for June. For the remaining equity classifications returns ranged from 0.02% (Convertible Securities CEFs) to 4.24% (Natural Resources CEFs).

Three of the five top-performing individual equity CEFs were housed in Lipper's Emerging Markets CEFs classification. However, at the top of the charts **ASA Gold & Precious Metals Limited (ASA,** warehoused in Lipper's Sector Equity CEFs classification) jumped 22.02% on a NAV basis and traded at a 9.91% discount on June 30. It was followed by **Aberdeen Latin America Equity Fund, Inc. (LAQ)**, posting a 13.56% return and traded at a 12.64% discount at month-end; **Central Fund of Canada Limited (CEF**, also housed in the Sector Equity CEFs classification), gaining 10.84% and traded at a 2.97% discount on June 30**; Latin American Discovery Fund, Inc. (LDF),** rising 10.63% and traded at a 12.52% discount at month-end; and **Aberdeen Indonesia Fund, Inc. (IF),** gaining 10.06% on a NAV basis and traded at a 16.51% discount on June 30.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 15.11% to positive 22.02%—was wider than May's spread and more negatively skewed. The 20 top-performing equity CEFs posted returns at or above 6.23%, while the 20 lagging equity CEFs were at or below minus 1.69%. Only 56 CEFs in the equity universe posted negative returns for the month. Three of the five worst performing funds were housed in the Sector Equity CEFs classification; however, **New Ireland Fund, Inc. (IRL,**

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	69	59	39	13	86
Bond Funds	93	75	21	29	71
ALL CEFs	**83**	**69**	**28**	**22**	**77**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	JUNE	YTD	3-MONTH	CALENDAR-2015
Equity Funds	1.77	6.68	6.11	-7.95
Bond Funds	1.90	6.90	4.69	1.27
ALL CEFs	**1.84**	**6.81**	**5.31**	**-2.62**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	JUNE 2016	CALENDAR-2015
ALL CEFs	**10**	**24**

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

3 MONTHS THROUGH 5/31/2016	241
COMPARABLE YEAR-EARLIER 3 MONTHS	398
CALENDAR 2015 AVERAGE	381

Source: Thomson Reuters Lipper

warehouse in the Developed Markets CEFs classification) was at the bottom of the pile. IRL shed 15.11% of its May-closing NAV price and traded at a 7.30% discount at the end of June. **Tekla Life Sciences Investors (HQL**, warehoused in the Sector Equity CEFs classification) posted the next poorest return in the equity universe, declining 6.28%. HQL traded at a 2.89% discount on June 30.

Treasury yields rose toward the middle of the month as equity investors began discounting the possibility of a Brexit, with the ten-year Treasury yield closing at 2.12% on June 23. However, after the British voted to leave the EU, investors took a more risk-off approach at month-end. The yield curve shifted downward, witnessing declines at all maturities, with the ten-year yield declining 35 bps to 1.86%. For the fourth consecutive month domestic taxable bond CEFs (+1.03%) witnessed a plus-side return on average, while municipal bond CEFs (+2.41%) chalked up their twelfth consecutive month of positive returns on average. For the fourth month in five World Income CEFs (+3.26%, the group leader for the first month in four) posted a plus-side return on average—catapulted to the top by Emerging Markets Debt CEFs (+4.35%) and Global Income CEFs (+2.50%).

A risk-off mentality and early thoughts of a June rate hike kept the domestic fixed income CEFs macro-group in check during month. However, all classifications within the group posted returns in the black, with Corporate Debt BBB-Rated CEFs (Leveraged) (+2.10%) posting the strongest return of the group, followed closely by its unleveraged cousin, Corporate Debt BBB-Rated CEFs (+1.76%). With near-term interest-rate hikes off the table, it wasn't too surprising to see Loan Participation CEFs (+0.19%) as the relative laggard of the group, bettered by U.S. Mortgage CEFs (+0.88%).

For the fourth consecutive month all Lipper municipal debt CEF classifications posted plus-side returns. General & Insured Municipal Debt CEFs (Leveraged) (+2.61%) was the leader of the group, while Intermediate Municipal Debt CEFs (+1.85%) was the relative laggard. National municipal debt CEFs (+2.41%) narrowly outpaced their single-state municipal debt CEFs counterparts (+2.40%) by 1 bp.

Three of the five top-performing individual CEFs in the fixed income universe were housed in Lipper's Emerging Markets Debt CEFs classification. However, at the top of the group was **Legg Mason BW Global Income Opportunities Fund, Inc. (BWG,** housed in the Global Income CEFs classification), returning 8.86% and traded at a 16.04% discount on June 30. BWG was followed by **Stone Harbor Emerging Markets Total Income Fund (EDI),** returning 7.56% and traded at an 11.29% discount at month-end; **Morgan Stanley Emerging Markets Domestic Debt Fund, Inc. (EDD),** tacking 6.09% onto its May month-end value and traded at a 14.58% discount on June 30; **Stone Harbor Emerging Markets Income Fund (EDF),** posting a 5.85% return and traded at a 3.52% discount at month-end; and **First Trust/Aberdeen Global Opportunity Income Fund (FAM,** warehoused in the Global Income CEFs classification), returning 5.14% and traded at a 10.63% discount on June 30.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 0.65% for **Putnam Premier Income Trust (PPT,** housed in Lipper's General Bond CEFs classification) to 4.45% for **Western Asset Emerging Markets Income Fund Inc. (EMD,** housed in Lipper's Emerging Market Debt CEFs classification), which traded at a 13.82% discount at month-end. The 20 top-performing fixed income CEFs posted returns at or above 3.32%, while the 20 lagging CEFs were at or below minus 0.09%. Only 25 fixed income CEFs witnessed negative performance for June.

PREMIUM AND DISCOUNT BEHAVIOR

For June the median discount of all CEFs narrowed 69 bps to 5.95%—still better than the 12-month moving average discount (8.79%). Equity CEFs' median discount narrowed 69 bps to 10.06%, while fixed income CEFs' median discount narrowed 133 bps to 3.29%. National municipal bond CEFs' median discount witnessed the largest narrowing of discounts in the CEFs universe, 155 bps to 0.65%, while World Equity CEFs witnessed the largest widening of discounts—37 bps to 13.61%.

For the month 69% of all funds' discounts or premiums improved, while 28% worsened. In particular, 59% 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 June 30 (118) was 29 more than on May 31.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

There were no new CEF IPOs in June.

RIGHTS, REPURCHASES, TENDER OFFERS

The Zweig Fund, Inc. (ZF) announced that, in accordance with its tender offer for up to 15% of its issued and outstanding common shares, which expired on May 26, 2016, the fund accepted 3,011,788.95 shares, representing 15% of the fund's outstanding shares, for payment on June 3, 2016. The purchase price of properly tendered shares was 98% of the NAV per share determined as of the close of the regular trading session of the New York Stock Exchange on May 26, 2016, which was equal to $13.78 per share. On June 3, 2016, the fund traded at an 11.29% discount.

The Zweig Total Return Fund, Inc. (ZTR) announced that, in accordance with its tender offer for up to 15% of its issued and outstanding common shares, which expired on May 26, 2016, the fund accepted 4,768,925.10 shares, representing 15% of its outstanding shares, for payment on June 3, 2016. The purchase price of properly tendered shares was 98% of the NAV per share determined as of the close of the regular trading session of the New York Stock Exchange on May 26, 2016, which was equal to $12.96 per share. On June 3, 2016, the fund traded at an 11.04% discount.

The New Ireland Fund, Inc. (IRL) announced that the fund's board of directors approved a modified "Dutch auction" in-kind tender offer for up to 25% of the fund's outstanding common shares at a price per share within a range of 95% to 97% of the fund's NAV per share in increments of 0.5% as of the business day immediately following the day the in-kind offer expires. The fund will determine the lowest per share price within the range that would enable it to purchase 25% of the shares outstanding as of the business day immediately following the expiration date or such lesser number of shares that are properly tendered and not withdrawn, based on the number of shares tendered and the prices specified by tendering shareholders. The fund will repurchase shares tendered and accepted in the in-kind offer in exchange for a pro rata portion of the fund's portfolio securities, subject to certain adjustments.

The in-kind 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 in-kind offer. If the exemptive order is not obtained by March 28, 2017, the fund will make a tender offer for cash for up to 30% of the outstanding shares at a price per share equal to 98% of the NAV per share as of the business day immediately following the day the cash offer expires. **Delaware Investments Dividend and Income Fund, Inc. (DDF)** announced the preliminary results of its tender offer for up to 425,937 common shares, representing up to 5% of its issued and outstanding common shares. The offer expired on Tuesday, June 28, 2016. Based on current information, approximately 1,629,843.5066 common shares, or approximately 19.13% of the fund's common shares outstanding, were tendered through the expiration date. Because the number of shares exceeded 425,937 shares, the relative number of shares that will be purchased from each shareholder will be prorated based on the number of shares properly tendered. The final number of shares validly tendered and accepted pursuant to the tender offer will be announced at a later date. The fund expects to make cash payments for tendered and accepted shares at a price equal to 98% of the fund's NAV as of the close of regular trading on the New York Stock Exchange on June 29, 2016. Payment for shares tendered and accepted is expected to be sent to tendering shareholders within approximately ten business days after the expiration date. On June 28, 2016, the fund traded at an 8.68% discount.

MERGERS AND REORGANIZATIONS

Bulldog Investors, LLC ("Bulldog") announced that, based on preliminary estimates, stockholders of **Virtus Total Return Fund (DCA)** have voted in favor of Bulldog's proposal to liquidate DCA at its annual meeting held on Thursday, June 2.

OTHER

PIMCO Dynamic Credit Income Fund (PCI) announced that, effective July 29, 2016, PCI will change its name to PIMCO Dynamic Credit and Mortgage Income Fund. The New York Stock Exchange ticker symbol for the fund's common shares (PCI) will remain the same. The fund will normally invest at least 80% of its net assets (plus any borrowings for investment purposes) in a portfolio of mortgage-related securities and other debt instruments of varying maturities.

CEF Performance Statistics

LIPPER

Lipper Classification	Average 1Mo NAV Chg	Average 1Mo Mkt Chg	Average June P/D	Average May P/D	Average 1 Mo P/D chg	Average YTD NAV Change	Average YTD Mkt Change	Average YTD P/D Change (%)
California Municipal Debt Funds	2.0%	3.9%	2.3%	0.4%	1.9%	4.1%	8.3%	3.8%
Convertible Securities Funds	-0.9%	0.9%	-9.3%	-10.9%	1.7%	-1.9%	1.9%	3.3%
Core Funds	-0.7%	-0.4%	-8.6%	-10.5%	0.3%	-3.1%	-2.2%	1.2%
Corporate BBB-Rated Debt Funds(Leveraged)	1.5%	2.0%	-7.5%	-7.9%	0.4%	4.4%	7.3%	2.5%
Corporate Debt Funds BBB-Rated	1.4%	1.5%	-3.7%	-3.9%	0.2%	4.1%	6.2%	2.0%
Developed Market Funds	-2.6%	-1.7%	-12.4%	-12.9%	0.6%	-3.1%	-3.5%	-0.3%
Emerging Markets Funds	3.2%	2.9%	-12.9%	-12.5%	-0.4%	6.6%	5.7%	-0.8%
Emerging Mrkts Hard Currency Debt Funds	3.1%	3.2%	-11.2%	-11.3%	0.1%	7.5%	11.1%	2.9%
Energy MLP Funds	4.7%	4.4%	-4.8%	-4.4%	-0.4%	11.5%	14.5%	2.4%
General & Insured Muni Debt Funds (Leveraged)	2.1%	3.7%	-0.7%	-2.2%	1.5%	4.6%	9.6%	4.5%
General & Insured Muni Fds (Unleveraged)	1.5%	2.4%	1.3%	0.5%	0.8%	3.6%	6.8%	3.0%
General Bond Funds	0.3%	1.9%	-2.2%	-3.4%	1.2%	1.6%	7.5%	5.2%
Global Funds	-0.9%	-1.0%	-11.7%	-11.5%	-0.2%	-2.6%	-0.2%	1.8%
Global Income Funds	1.8%	2.1%	-5.8%	-6.1%	0.3%	2.4%	6.5%	3.7%
Growth Funds	0.3%	-1.6%	-12.0%	-10.5%	-1.5%	2.1%	-10.7%	-3.8%
High Yield Funds	0.6%	0.3%	-7.6%	-6.3%	0.0%	3.3%	3.7%	1.3%
High Yield Funds (Leveraged)	0.5%	1.3%	-6.1%	-7.0%	0.7%	4.6%	8.2%	3.0%
High Yield Municipal Debt Funds	1.6%	3.7%	2.0%	-0.1%	2.1%	3.6%	9.0%	5.0%
Income & Preferred Stock Funds	0.6%	2.4%	-2.5%	-4.3%	1.8%	2.2%	8.7%	5.6%
Intermediate Municipal Debt Funds	1.5%	2.5%	-1.9%	-2.8%	0.9%	3.2%	4.7%	1.3%
Loan Participation Funds	-0.3%	-0.6%	-8.6%	-8.6%	-0.1%	2.8%	4.0%	0.8%
Natural Resources Funds	3.8%	4.4%	-10.0%	-10.5%	0.5%	14.6%	15.9%	1.4%
New Jersey Municipal Debt Funds	2.1%	4.1%	-2.4%	-4.3%	1.9%	4.6%	11.3%	5.9%
New York Municipal Debt Funds	2.0%	3.8%	1.0%	-0.8%	1.8%	4.0%	9.2%	4.8%
Options Arbitrage/Opt Strategies Funds	-1.3%	-0.6%	-2.5%	-3.5%	1.0%	-3.7%	-2.6%	1.8%
Other States Municipal Debt Funds	2.1%	3.3%	-0.4%	-1.7%	1.2%	4.3%	9.9%	4.9%
Pacific Ex Japan Funds	3.8%	4.0%	-12.3%	-12.4%	0.2%	4.9%	6.4%	1.2%
Pennsylvania Municipal Debt Funds	1.9%	3.1%	-4.8%	-6.0%	1.2%	3.9%	11.0%	6.1%
Real Estate Funds	1.7%	5.3%	-9.5%	-12.4%	2.0%	3.1%	11.6%	2.6%
Sector Equity Funds	1.1%	1.3%	-5.4%	-5.0%	-0.4%	6.1%	9.5%	2.7%
U.S. Mortgage Funds	0.3%	0.7%	-4.7%	-5.4%	0.4%	-1.2%	1.5%	3.3%
Utility Funds	4.5%	4.2%	-7.0%	-6.7%	-0.3%	13.5%	15.8%	1.9%
Value Funds	0.0%	-0.2%	-11.0%	-10.8%	-0.2%	3.7%	5.7%	1.8%

Top 5 Performing CEFs

LIPPER

Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds	ASA	22.0%	1
Aberdeen Latin America	Emerging Markets Funds	LAQ	13.6%	2
Central Fund of Canada	Sector Equity Funds	CEF	10.8%	3
Latin American Discovery	Emerging Markets Funds	LDF	10.6%	4
Aberdeen Indonesia	Emerging Markets Funds	XIF	10.1%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds	ASA	97.6%	1
Aberdeen Latin America	Emerging Markets Funds	LAQ	33.4%	2
Tortoise Pipelne & Enrgy	Natural Resources Funds	TTP	30.8%	3
Central Fund of Canada	Sector Equity Funds	CEF	27.2%	4
Latin American Discovery	Emerging Markets Funds	LDF	25.3%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds	ASA	26.0%	1
Aberdeen Latin America	Emerging Markets Funds	LAQ	13.5%	2
Central Fund of Canada	Sector Equity Funds	CEF	11.5%	3
Tortoise Energy Inf Corp	Energy MLP Funds	TYG	10.3%	4
Latin American Discovery	Emerging Markets Funds	LDF	10.2%	5

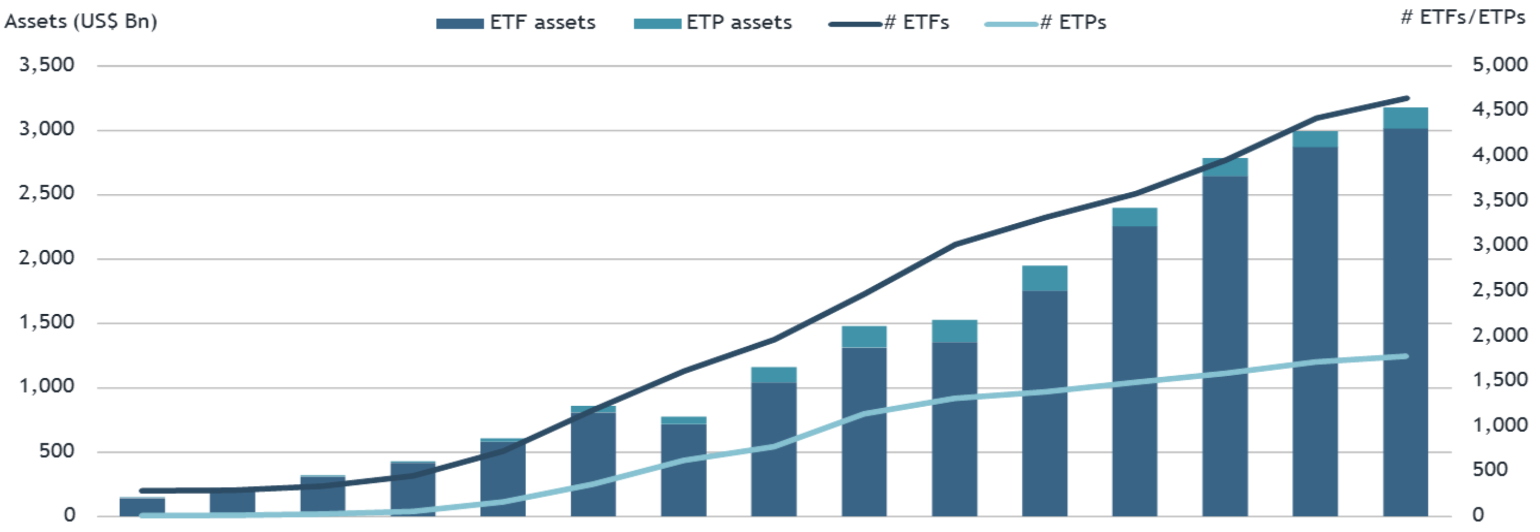
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds	ASA	106.8%	1
Self Storage Group	Real Estate Funds	SELF	44.0%	2
Central Fund of Canada	Sector Equity Funds	CEF	39.1%	3
GAMCO Gl Gld NR & Inc	Sector Equity Funds	GGN	36.8%	4
GAMCO NR Gld & Inc Tr	Sector Equity Funds	GNT	34.4%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
PIMCO Gl StksPLUS & Inc	Options Arbitrage/Opt Strategies Funds	PGP	10.6%	1
Voya Itl Hi Div Eqty Inc	Options Arbitrage/Opt Strategies Funds	IID	7.4%	2
BlackRock MA Tax-Exempt	Other States Municipal Debt Funds	MHE	6.9%	3
BlackRock Muni Inc Inv	General & Insured Muni Debt Funds (Leveraged)	BBF	6.7%	4
Nuveen HI 2020 Target	High Yield Funds (Leveraged)	JHY	5.9%	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
RENN Fund	Global Funds	RENN	34.8%	1
PIMCO Gl StksPLUS & Inc	Options Arbitrage/Opt Strategies Funds	PGP	32.9%	2
PIMCO High Income	General Bond Funds	PHK	27.9%	3
Flrty Pfd Income Fund	Income & Preferred Stock Funds	PFD	18.2%	4
PIMCO Corp & Inc Strat	General Bond Funds	PCN	14.6%	5

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

At the end of June 2016, the Global ETF industry had 4,643 ETFs, with 9,801 listings, assets of US$3.013 trillion, from 250 providers on 63 exchanges. At the end of June 2016, the Global ETF/ETP industry had 6,424 ETFs/ETPs, with 12,268 listings, assets of US$3.177 trillion, from 284 providers on 65 exchanges.



Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Jun-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	4,643
# 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	6,424
ETF assets	142	212	310	417	580	807	716	1,041	1,313	1,355	1,754	2,254	2,643	2,870	3,013
ETF/ETP assets	146	218	319	426	603	857	774	1,158	1,478	1,526	1,949	2,398	2,784	2,993	3,177

Summary for ETFs/ETPs: Global

ETFGI the leading independent research and consultancy firm on trends in the global ETF/ETP ecosystem, reported assets invested in ETFs/ETPs listed globally reached a new record high US$3.177 trillion at the end of June 2016. US$31.38 Bn of net new assets were gathered during the month of June marking the 29th consecutive month on net inflows, according to ETFGI's June 2016 global ETF and ETP industry insights report.

Record levels of assets were also reached at the end of June for ETFs/ETPs listed in the United States at US$2.256 trillion, in Japan which reached US$147.67 billion and in Canada which reached US$79.14 billion.

The Global ETF/ETP industry had 6,424 ETFs/ETPs, with 12,268 listings, assets of US$3.177 trillion, from 284 providers listed on 65 exchanges in 53 countries.

"Markets and investors around the world were engulfed in the chaos following what many saw as the unexpected result of the UK's June 23rd vote. Volatility was up significantly during the month. The S+P 500 index was up just 0.3%. Emerging markets were up 3.94 while developed markets ex-US declined 2.87%. There is still uncertainty in the markets due to questions on when and how Brexit changes will be implement and the many changes happening in UK political parties" according to Deborah Fuhr, managing partner at ETFGI.

In June 2016, ETFs/ETPs listed globally saw net inflows of US$31.38 Bn. Equity ETFs/ETPs gathered the largest net inflows with US$11.72 Bn, followed by fixed income ETFs/ETPs with US$10.80 Bn, and commodity ETFs/ETPs with US$6.63 Bn. ETF/ETP average daily trading volumes increased by 20.9% from US$81.31 Bn in May 2016 to US$98.33 Bn in June 2016.

YTD through end of June 2016, ETFs/ETPs have seen net inflows of US$122.71 Bn which is significantly below the US$ 152.66 Bn gathered at this point last year. YTD Fixed income ETFs/ETPs have gathered a record level of US$67.63 Bn, followed by commodity ETFs/ETPs which have gathered a record level of US$26.53 Bn, and equity ETFs/ETPs which have gathered US$15.15 Bn.

iShares gathered the largest net ETF/ETP inflows in June with US$13.43 Bn, followed by Vanguard with US$10.02 Bn followed by Nomura AM with US$2.10 Bn net inflows.

YTD, Vanguard gathered the largest net ETF/ETP inflows YTD with US$42.28 Bn, followed by iShares with US$40.51 Bn and Nomura AM with US$7.39 Bn net inflows.

There are 431 ETFs/ETPs with greater than US$1 Bn in assets which hold a combined total of US$2,565 Bn, or 80.9%, of Global ETF/ETP assets.

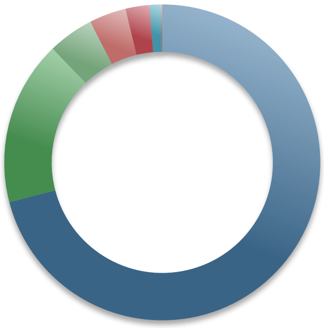
In June 2016, 85 new ETFs/ETPs were launched by 34 providers while 35 ETFs/ETPs were closed .

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

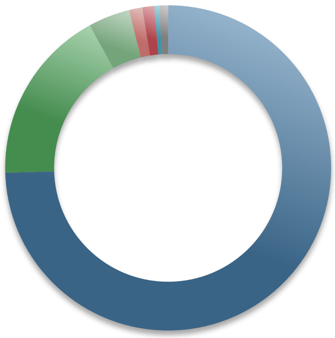
Global ETF/ETP Assets Summary

etfgi.com

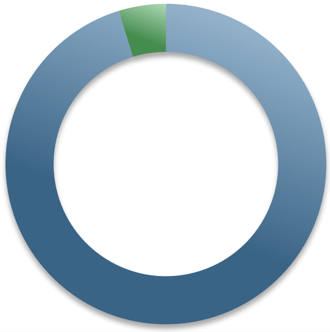
ETF/ETP assets by region listed



ETF/ETP assets by asset class



ETF/ETP assets by product structure



Region	# ETFs/ ETPs	Assets (US$ Bn)	% total
US	1,931	$2,256.5	71.0%
Europe	2,206	$528.8	16.6%
Japan	177	$147.7	4.6%
Asia Pacific (ex-Japan)	873	$123.1	3.9%
Canada	422	$79.4	2.5%
Middle East and Africa	770	$36.4	1.1%
Latin America	45	$5.5	0.2%
Total	**6,424**	**$3,177.3**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	3,515	$2,338.2	73.6%
Fixed Income	935	$568.1	17.9%
Commodities	687	$148.1	4.7%
Leveraged	378	$42.2	1.3%
Active	272	$38.2	1.2%
Inverse	207	$15.8	0.5%
Others	430	$26.7	0.8%
Total	**6,424**	**$3,177.3**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
ETF	4,643	$3,013.4	94.8%
ETP	1,781	$163.9	5.2%
Total	**6,424**	**$3,177.3**	**100.0%**

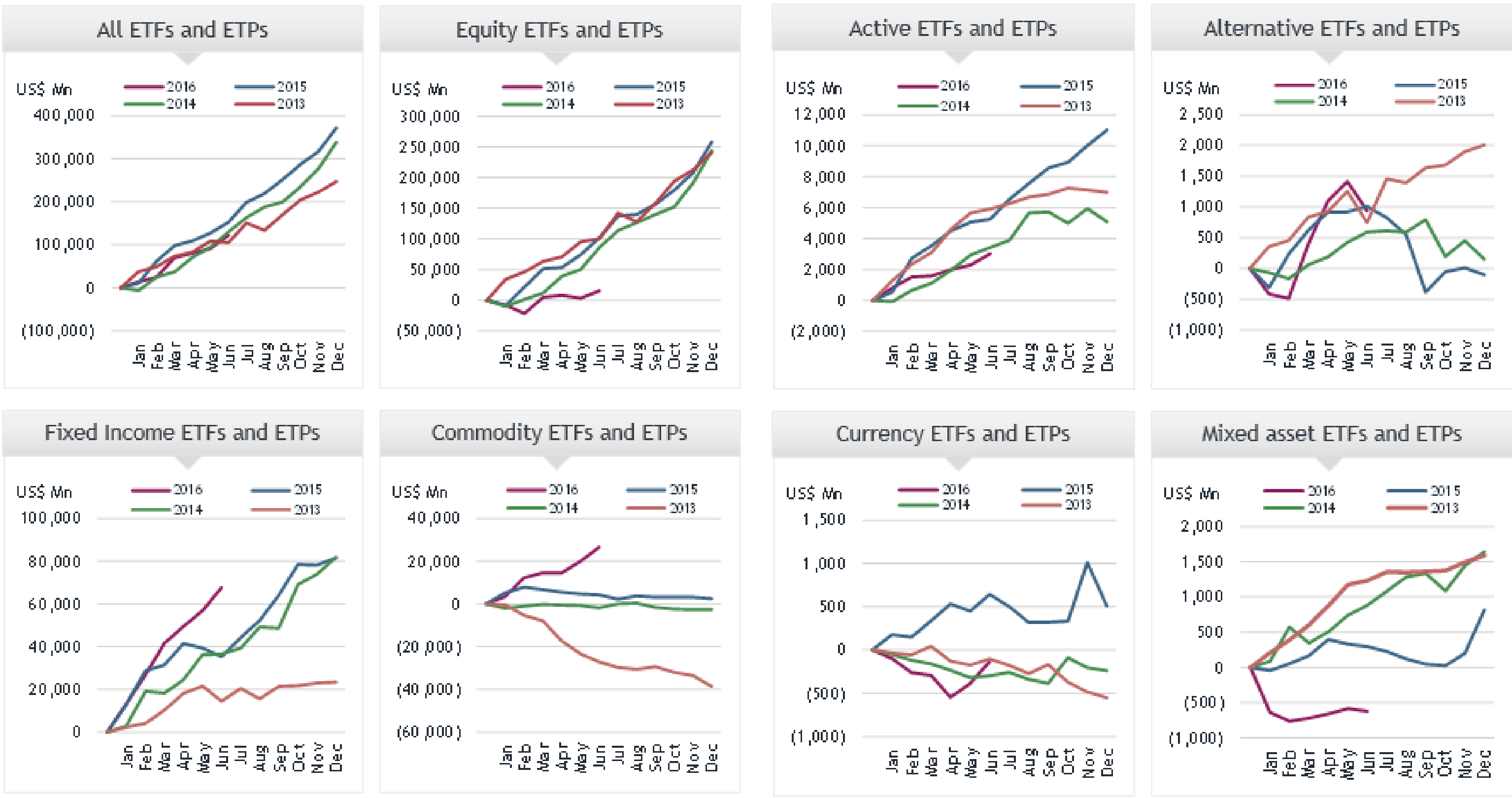
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.

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 $31,386 Mn in June. Year to date, net inflows stand at $122,712 Mn. At this point last year there were net inflows of $152,665 Mn.

Equity ETFs/ETPs saw net inflows of $11,720 Mn in June, bringing year to date net inflows to $15,157 Mn, which is less than the net inflows of $101,894 Mn over the same period last year.

Fixed income ETFs and ETPs experienced net inflows of $10,805 Mn in June, growing year to date net inflows to $67,638 Mn, which is greater than the same period last year which saw net inflows of $35,333 Mn.

Commodity ETFs/ETPs accumulated net inflows of $6,633 Mn in June. Year to date, net inflows are at $26,534 Mn, compared to net inflows of $4,202 Mn over the same period last year.

Actively managed products saw net inflows of $724 Mn in June, bringing year to date net inflows to $3,014 Mn, which is less than the net inflows of $5,260 Mn over the same period last year.

Products tracking alternative indices experienced net outflows of $475 Mn in June, reducing year to date net inflows to $938 Mn, which is less than the same period last year which saw net inflows of $1,008 Mn.

Currency products accumulated net inflows of $249 Mn in June. Year to date, net outflows are at $137 Mn, compared to net inflows of $644 Mn over the same period last year.

Products holding more than one asset class saw net outflows of $39 Mn in June, bringing year to date net outflows to $622 Mn, which is less than the net inflows of $296 Mn over the same period last year.

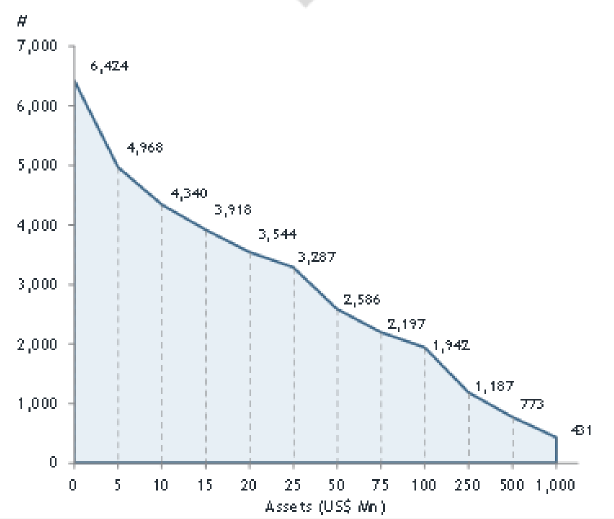
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources, and data generated by our in-house team.
Note: This report is based on the most recent data available at the time of publication. Asset and flow data may change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

ETF/ ETP Distribution and Benchmarks

etfgi.com

Distribution of ETFs/ETPs by size

ETF/ETP assets



Assets greater than (US$ Mn)	# ETFs/ ETPs	% total	Total assets (US$ Bn)	% total
0	6,424	100.0%	3,171	100.0%
5	4,968	77.3%	3,169	99.9%
10	4,340	67.6%	3,164	99.8%
15	3,918	61.0%	3,159	99.6%
20	3,544	55.2%	3,152	99.4%
25	3,287	51.2%	3,147	99.2%
50	2,586	40.3%	3,122	98.4%
75	2,197	34.2%	3,098	97.7%
100	1,942	30.2%	3,076	97.0%
250	1,187	18.5%	2,954	93.2%
500	773	12.0%	2,807	88.5%
1,000	431	6.7%	2,565	80.9%

431 ETFs/ETPs have greater than US$1 Bn in assets, while 1,942 have greater than US$100 Mn in assets and 2,586 have greater than US$50 Mn in assets. The 431 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,565 Bn, or 80.9%, of Global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) Jun-16	NNA (US$ Mn) Jun-16	NNA (US$ Mn) YTD 2016
S&P 500 Index	356,289	(2,809)	(855)
MSCI EAFE Index	73,737	163	(315)
Nikkei 225 Index	67,919	1,001	6,287
CRSP US Total Market Index	61,232	(799)	1,484
TOPIX Index	55,041	1,464	4,222
S&P Mid Cap 400 Index	44,736	(405)	(603)
NASDAQ 100 Index	39,405	(1,490)	(6,626)
MSCI US REIT Index	34,410	1,044	3,541
EURO STOXX 50 Index	32,598	177	(2,718)
Russell 1000 Growth Index	29,920	(21)	(2,332)
Russell 1000 Value Index	29,131	630	(38)
Russell 2000 Index	26,654	(1,089)	(2,357)
MSCI Japan Index	25,825	(871)	(7,413)
CRSP US Large Cap Value Index	21,792	214	2,198
MSCI World Index	21,608	403	1,171
NASDAQ Dividend Achievers Select Index	21,539	235	907
CRSP US Large Cap Growth Index	20,469	(114)	(389)
DAX Index	18,824	(178)	(2,128)
S&P US 600 Small Cap Index	18,392	153	221
S&P High Yield Dividend Aristocrats Index	16,295	408	(555)

Top 20 by monthly net inflows

Name	Assets (US$ Mn) Jun-16	NNA (US$ Mn) Jun-16	NNA (US$ Mn) YTD 2016
TOPIX Index	55,041	1,464	4,222
MSCI US REIT Index	34,410	1,044	3,541
Nikkei 225 Index	67,919	1,001	6,287
MSCI USA Minimum Volatility Index	14,874	921	6,318
Russell 1000 Value Index	29,131	630	(38)
CRSP US Small Cap Value Index	7,405	580	1,312
Morningstar Dividend Yield Focus Index	6,227	527	1,252
FTSE High Dividend Yield Index	14,469	423	2,053
S&P High Yield Dividend Aristocrats Index	16,295	408	(555)
Dow Jones US Select Dividend Index	16,205	404	681
MSCI World Index	21,608	403	1,171
Tel Aviv 25 Index	1,833	396	694
S&P Preferred Stock Index	16,243	359	1,596
S&P 500 High Dividend Index	2,145	355	1,374
FTSE All World Developed ex US Index	5,658	349	1,034
MSCI EAFE IMI Index USD	11,365	333	2,354
MSCI EAFE Minimum Volatility Index	7,530	327	2,826
STOXX Europe 600 Banks Index	1,439	302	(147)
S&P/TSX 60 Index	9,947	301	250
TSE REIT Index	4,495	291	783

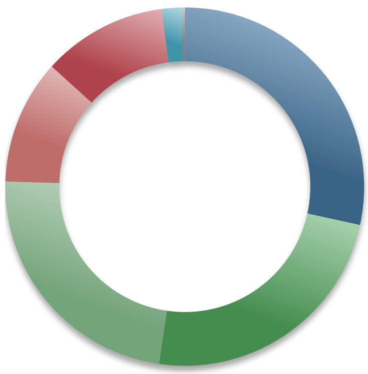
Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper,

Year to Date ETF / ETP Product Launches

etfgi.com

YTD ETF/ETP product launches

ETFs/ETPs by region listed



ETFs/ETPs by asset class

ETFs/ETPs by product structure

Region	# ETFs/ETPs	% total
US	124	28.4%
Europe	104	23.9%
Asia Pacific (ex-Japan)	101	23.2%
Middle East and Africa	49	11.2%
Canada	49	11.2%
Japan	8	1.8%
Latin America	1	0.2%
Total	**436**	**100.0%**

Asset class	# ETFs/ETPs	% total
Equity	266	61.0%
Fixed income	67	15.4%
Active	34	7.8%
Leveraged	21	4.8%
Commodities	14	3.2%
Inverse	13	3.0%
Others	21	4.8%
Total	**436**	**100.0%**

Structure	# ETFs/ETPs	% total
ETF	350	80.3%
ETP	86	19.7%
Total	**436**	**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.

Rating Actions

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

- **Fitch Rates VRDP Shares Issued by Nuveen Enhanced AMT-Free Muni Credit Opportunities Fund 'AAA' – June 16**
- **Fitch Affirms Gabelli Fund Auction Preferred Ratings at 'AA' – June 21**
- **Fitch Affirms MRPS Shares Issued by Duff & Phelps Closed End Funds – June 21**
- **Fitch Affirms Aberdeen Asia-Pacific Income Fund Notes at 'AAA' and MRPS at 'AA' – June 21**
- **Fitch Rates VRDP Shares Issued by Nuveen New York AMT-Free Municipal Income Fund 'AAA/F1+' – June 23**
- **Fitch Rates VRDP Shares Issued by Nuveen California AMT-Free Municipal Income Fund 'AAA/F1' – June 30**
- **Fitch Rates VMTP Shares Issued by Nuveen Closed-End Funds – July 1**
- **Fitch Assigns Astrea III Final Ratings; Issues New Issue Report – July 11**

Unexpected Returns

July 2016

Authored by:
Doug Bond
Executive Vice President and Portfolio Manager
Cohen & Steers

Valuation and income potential are good places to start when evaluating closed-end funds, but investors who rely on them as an indicator of future performance are likely to be disappointed.

Closed-end funds have become a staple of the retail investment community, offering access to a wide range of asset classes and investment strategies wrapped in packages that have the potential to generate high levels of income. Distribution rates for the taxable closed-end fund market currently average 8.2% at a time when attractive yields are hard to find.(1) Furthermore, 83% of taxable funds are trading below their net asset value (NAV) amid uncertainty over interest rates, giving closed-end-fund investors an additional source of opportunity.

Understanding the yield and the discount (or premium) of a closed-end fund is an important part of assessing the appeal of a potential investment. However, we believe it is critical to look beyond yields and discounts, as our analysis shows that these factors have been remarkably bad fortune tellers.

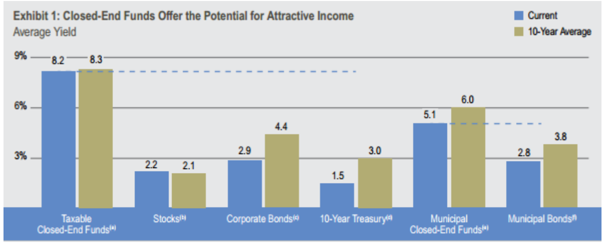
We examined historical performance for closed-end funds in three categories—equity, taxable fixed-income and tax-exempt fixed-income—to see if there were discernible relationships between various yields and valuations relative to forward 12-month returns. In other words, given a particular yield or discount, how have closed-end funds performed on average over the ensuing 12 months?

The analysis revealed that performance generally ran counter to what investors might have expected. In fact, some of the best returns followed when yields were relatively modest, or when funds were trading at average premiums to NAV. We believe this confirms our view that there is more to understanding opportunities in closed-end funds than searching for high yield or comparing market price to NAV.

The Yield and Discount Value Propositions

A Potential Income Advantage Over Stocks and Bonds
Income-seeking investors currently have their choice of hundreds of closed-end funds paying distribution rates over 8%. It is no wonder, then, that closed-end funds have remained popular, especially considering the substantial income needs of baby boomers, who are retiring at a time when yields on investment-grade bonds are meager at best. Many closed-end funds also offer the potential for capital appreciation, further enhancing their appeal to growth-and-income investors.

Closed-end funds continue to offer a meaningful income advantage over stocks and bonds, due mostly to the use of leverage in their capital structure. As of June 30, 2016, taxable closed-end funds had an average distribution rate of 8.2%, compared with a 2.9% yield on U.S. corporate bonds and 1.5% for 10-year Treasury notes (Exhibit 1). Meanwhile, the S&P 500 featured an average dividend yield of 2.2%. For a $100,000 investment, this translates into an additional $5,650 in potential annual income compared with a 50/50 mix of stocks and corporate bonds.(1) The tax-exempt market offers a similar advantage, with national municipal closed-end funds averaging 2.3% more than municipal bonds.



At June 30, 2016. Source: Morningstar, Bloomberg and Cohen & Steers.

Performance data quoted represents past performance. Past performance is no guarantee of future results. The information presented above does not reflect the performance of any fund or account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above.

(a) Distribution rate, Morningstar U.S. All Taxable Ex-Foreign Equity Closed-End Fund Index. (b) Average trailing 12-month dividend yield, S&P 500 Index. (c) Yield to maturity, BofA Merrill Lynch Corporate Master Index. (d) Federal Reserve 10-year Treasury constant maturity rate. (e) Distribution rate, Morningstar U.S. National Municipal Closed-End Fund Index. (f) Yield to maturity, BofA Merrill Lynch Municipal Master Index. See page 7 for index definitions and additional disclosures.

Buying Assets at a Discount

Another quality that investors value in closed-end funds is the opportunity to buy shares at a discount to NAV. Over the long term, discounts have averaged -5.2% for equity funds and -3.0% for fixed income funds.(1) However, discounts have widened over the past year amid concerns that the Federal Reserve will raise interest rates. As of June 30, 2016, 83% of the taxable closed-end-fund market traded below NAV, with discounts averaging -7.3% and -3.3% for equity and fixed income funds, respectively.

It is not uncommon for market prices of closed-end funds to lag NAV returns in periods of rising rates. This is because higher borrowing costs can make it harder for funds to sustain their distributions. This was the case in 2015, when discounts to NAV widened meaningfully in anticipation of the first interest-rate hike in years. After the Fed finally raised rates in December, discounts narrowed substantially, but have remained above their long-term average. We expect closed-end funds' borrowing costs to remain moderate, even if short-term rates move higher from historically low levels. In an environment of slow but positive economic growth, we believe many segments of the closed-end-fund market could see discounts gradually move toward their historical averages as visibility on short-term rates improves.

Click here for complete reading

Volatility Exchange-Traded Tracking Products (ETPs)

July 7, 2016

Authored by:
Mariana F. Bush, CFA
Senior Analyst
Wells Fargo Advisors

Authored by:
Adam Shah
CEF/ETP Analyst
Wells Fargo Advisors

With the continued growth of the ETP universe, investors have gained access to an ever-increasing variety of asset classes and strategies, one of which is volatility. Investing in volatility is more complex than what the typical investor may assume at first, and this document describes the risks of "investing in volatility".

Understanding volatility

There are two widely used measures of volatility: historical (or realized) volatility and expected (or implied) volatility. Historical volatility is normally expressed as the annualized standard deviation of a security's daily, weekly or monthly returns over a given period. Stated more simply, this statistic shows how widely dispersed the returns of a security have been over that period. In the past, stocks generally have experienced higher historical volatility than bonds, as shown in Figure 1 below. In particular, a stock with monthly returns that ranged between -2% and +5% would have a higher historical volatility than another stock with monthly returns that ranged between +0.5% and +2%, for example. Also keep in mind, as illustrated in Figure 1, that the historical volatility of the VIX Index, which will be discussed in detail later, has been substantially higher than that of stocks.

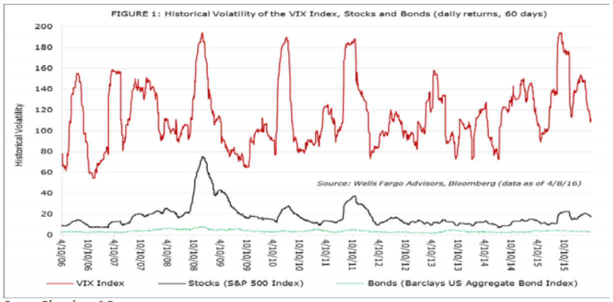


FIGURE 1: Historical Volatility of the VIX Index, Stocks and Bonds (daily returns, 60 days)

Source: Bloomberg, L.P.
An index is unmanaged and not available for direct investment. *Past performance is no guarantee of future results.*

A drawback of historical volatility is that it is both backward looking and period-dependent. As historical volatility relies on past data, it does not indicate future volatility of a given security. Additionally, depending on the period selected, historical volatility may vary greatly. When reviewing domestic equities only for the period from mid-2012 to mid-2015, which can be seen in the chart below, an investor might assume that domestic stocks are investments with relatively low volatility. On the other hand, if another investor were to evaluate the volatility of equities only for the period from June 2008 to December 2008, an assumption could be made that equities are an extremely risky investment. Neither assumption would be entirely accurate, in our opinion.
Historical volatility is usually displayed on an annualized basis, and may vary depending on whether daily, weekly or monthly returns are used in the standard deviation calculation.

An alternative measure of volatility is implied volatility. This measure uses option premiums (prices) on a given security or index to determine the market's outlook on the volatility of that security or index1. A higher implied volatility would generally be reflected in a higher option premium all else being equal. This method addresses some of the concerns with historical volatility — if the market expects higher volatility for a given security, the price of the security's options should reflect that.

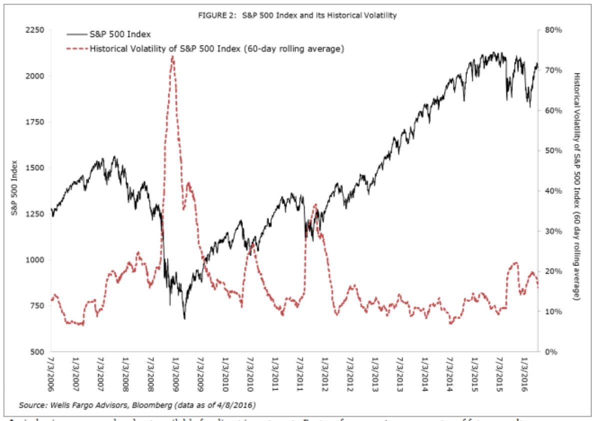


FIGURE 2: S&P 500 Index and its Historical Volatility

An index is unmanaged and not available for direct investment. *Past performance is no guarantee of future results.*

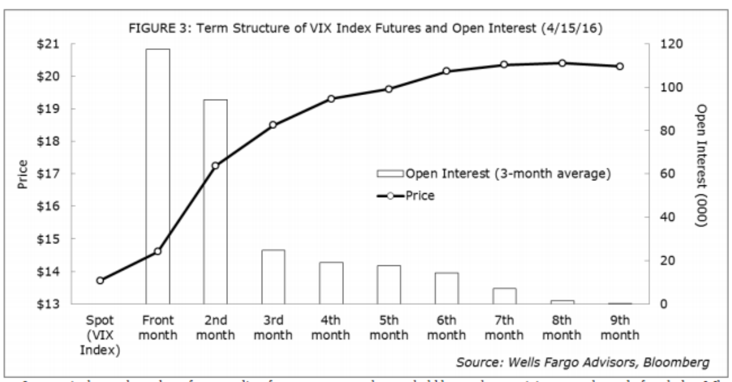
The Black-Scholes option pricing formula utilizes the volatility of a security as one of its inputs. Implied volatility is simply the level of volatility that solves the Black-Scholes formula for the current market price of an option on a security.

different options on the S&P 500 Index, chosen to represent a wide range of strike prices. The resultant index has a number of interesting properties, one of which is the high negative correlation with the S&P 500 Index.

The VIX Index was introduced in 1993 and underwent a revision a decade later to incorporate a more robust methodology as well as a change of its index from the CBOE S&P 100 Index to the CBOE S&P 500 Index. This facilitated the creation of futures contracts on the index, which started trading on the CBOE Futures Exchange in March 2004 and the aggregate open-interest accelerated in early 2006, coincident with the launch of VIX options in February 2006.

The VIX Index is not investable, but ETPs can gainexposure to volatility by holding VIX Index futures, options, or tracking a VIX Index futures index. Like other futures contracts on single commodities, such as crude oil or cotton, futures contracts on the VIX Index have a term structure (futures contracts with different expirations trade at different prices). Note that the term structure of VIX Index futures has a relatively short time span compared to those of most commodity futures. The longest expiration of VIX Index futures is eight months, whereas the expirations of futures contracts for other commodities can extend for years. When this term structure is sloping upward, it is said to be in contango — the prices of longer-dated contracts are higher than those of shorter-dated contracts, as shown for a particular day in the chart below.

Contango may burden the performance of a volatility ETP that takes a long position on the VIX futures contracts — by either physically holding the contracts or tracking an index that takes this position directly. All futures contracts have an expiration date, and in order to maintain constant, ongoing exposure to volatility, an ETP or its index must roll its position into a later-dated contract before the expiration of the contract to which it is exposed. When the term structure is in contango, a volatility ETP must sell its current holdings of VIX futures for one price and then buy longer-dated VIX futures for a higher price, which has a negative impact on the performance of the investments (negative roll yield). The opposite of contango is known as backwardation, which is when the term structure of the futures contracts slopes downwards. In this case, rolling along the term structure potentially improves the return — for long positions — since the longer-dated contracts are purchased at a lower price than those being rolled (positive roll yield). Note that it is still possible for a long investor to obtain a positive return in a market characterized with contango or to lose money when a market is in backwardation, as other elements, such as the movement of the value of the VIX index, also affect one's returns.



Open Interest is the total number of outstanding futures contracts that are held by market participants at the end of each day. Where volume measures the pressure or intensity behind a price trend, open interest measures the flow of money into the futures market. For each seller of a futures contract there must be a buyer of that contract. Thus a seller and a buyer combine to create only one contract. Therefore, to determine the total open interest for any given market we need only to know the totals from one side or the other, buyers or sellers, not the sum of both. We used a 3-month average for the Open Interest to smooth the data.

The shape of the futures term structure of traditional commodities such as natural gas, copper, and soybeans tend to vary between contango and backwardation. A key driver of contango and backwardation is inventory levels — when inventories are high, the term structure is generally in contango. Conversely, when inventories are low, the term structure will most likely be in backwardation. The term structure of VIX Index futures differs from that of traditional commodities in the sense that its shape is unrelated to inventories. In fact, there are no inventories of volatility — rather volatility is "supplied" by market participants. The shape of the term structure of VIX Index futures has historically been more often in contango. See Figure 3. In fact, the shape of the term structure between the front month (the contract with the nearest expiration) and the second month has been in contango (using end-of-trading-day prices) for more than 80% of the trading days over the past five years. In the past, the term structure of VIX Index futures has generally switched into backwardation only in times of crisis—that is, when markets are sufficiently volatile that investors expect volatility to decrease in the future. Put simply, in the period after a significant market downturn, which is typically accompanied by a spike in the VIX index, the shape of the VIX index term structure has historically become backwardated. The magnitude of the roll cost of VIX Index futures is generally high compared to that of other commodities, and the level of assets in VIX-related ETPs — long and short exposure — has been a contributor to this level.

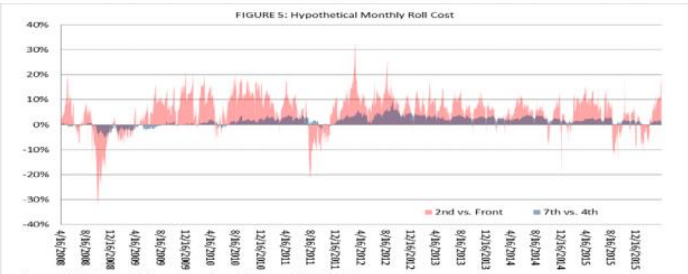
Volatility ETPs

Exposures. The first volatility ETPs were launched in early 2009 and at this point, numerous volatility ETPs provide a variety of exposures to volatility — long exposure, short exposure, geared (leveraged and inverse) exposure, long/short exposures to different parts of the term structure, as well as dynamic allocations between equity, cash and/or volatility exposures. A few volatility ETPs have already been liquidated as a result of not raising enough assets. The assets of other volatility ETPs grew too much relative to the VIX Index futures market resulting in a disruption in their creation mechanism. Users of geared volatility ETPs need to be particularly careful. Generally, geared ETPs work poorly — their value is more likely to erode over time — when the volatility of the underlying index is too high and the path (the directional change) of the index itself is inconsistent. In the case of geared volatility ETPs, the underlying index is already naturally quite volatile. (Refer back to Figure 1.) In addition, gearing a long exposure of a futures term structure in severe contango worsens returns as well. It is not too surprising that several of the geared volatility ETPs have already had at least one reverse split, a symptom of chronic erosion in value.

Structures. Volatility ETPs are structured as either exchange-traded funds (ETFs), which hold the underlying futures contracts, or exchange-traded notes (ETNs), where the issuer of the note promises to deliver a return that corresponds to the performance of the index. As such, each structure has pros and cons. As an unsecured instrument, the ETN carries the credit-quality risk of its issuer, and as long as the creation/redemption mechanism works properly, we feel this risk is reduced substantially. Investors can assume that the issuer of the note will hedge its liability, most likely by holding the relevant futures contracts in attempt to track as closely as possible the performance of the index. On the other hand, the ETF structure holds the futures, and consequently the ETF will distribute a K-1 — as opposed to the simpler and usually more desirable 1099 tax form — and capital gains are taxed at 60% long-term / 40% short-term, regardless of the holding period. Thus, each structure may be more or less objectives and requirements.

Roll methodologies. Most volatility ETPs attempt to track one of the two principal S&P 500 VIX futures indices which simulate a hypothetical long exposure to VIX futures. The first is the S&P 500 VIX Short-term Futures Index Total Return Index, which rolls the contracts at the front-end of the term structure. It holds only front-month and second-month contracts, and a portion of front-month contracts are rolled into second-month contracts on a daily basis. The other is the S&P 500 VIX Mid-term Futures Index Total Return Index, which rolls its contracts further out on the term structure. It holds 4th, 5th, 6th and 7^{th} month contracts, and a portion of 4th month contracts are rolled into 7th month contracts daily. Each of these two rolling methodologies has advantages and disadvantages if one considers the effect of contango and the beta to the VIX Index. Note that there are a number of other roll strategies, but this report focuses on these two most popular roll strategies.

The burden from contango impacts each roll methodology differently. Rolling at the front-end of the term structure is likely to burden the return of a volatility ETP more heavily because the term structure tends to be steeper at the front of the curve. The return of a volatility ETP that rolls further out on the term structure is likely to suffer less from contango as that part of the term structure tends to be flatter further out on the curve. See Figure 5.



Source: Wells Fargo Advisors, Bloomberg (data as of 4/15/2016)

The roll cost is the price ratio of the 2nd and the front month contracts as well as the 7th and the 4th-month contracts. This information is hypothetical and is provided for informational purposes only. It is not intended to represent any specific return, yield, or investment, nor is it indicative of future results.

Furthermore, the beta (a measure of volatility to the overall market) and correlation to the VIX Index are also different for each roll methodology. Rolling at the front of the term structure is likely to provide returns that are closer in line with the VIX Index for short-term holding periods. Over the past five years, the beta based on daily returns to the VIX Index has been 0.52 if rolling at the front-end of the term structure, while a lower 0.22 if rolling further out on the term structure, as shown in the table below. Note however, that on an absolute basis, a beta of 0.52 is not considered high. The beta of rolling at the front end of the curve rises to 0.61 and 0.25, if based on monthly returns instead of daily returns. In addition to a higher beta to the VIX index, the correlations are higher when rolling at the front-end of the term structure than further out on the curve.

Conclusion

ETPs that offer exposure to volatility are complex. Their dependency on futures contracts require a potential user to understand the risks and implications of different roll methodologies. The exposures or strategies of existing volatility ETPs vary and will most likely result in different performance and risk profiles, and a few of them have a high probability of significant downside risk. We believe that most are unsuitable for longer-term holding periods. Investors willing to gain access to volatility ETPs should have a high-risk tolerance, plan for a holding period that is appropriate for each strategy, and monitor the positions closely.

Correlation & Beta to VIX Index

Periodicity of Returns	Front-Roll Correlation	Front-Roll Beta	Intermediate Roll Correlation	Intermediate Roll Beta
Daily	0.90	0.52	0.80	0.22
Weekly	0.86	0.48	0.75	0.20
Monthly	0.84	0.61	0.72	0.25

Correlations and Beta are calculated using the Indicative Value of VXX and VXZ
Sources: Wells Fargo Advisors, Bloomberg
(data from 04/15/2011 to 04/15/2016)

Past performance is no guarantee of future result.
An indicative value is the ETN's equivalent of the NAV of an exchange-traded fund.

Click here for complete reading

Market Videos

Click on image to access video

July 9, 2016
Alissa Williams of Investor's Business Daily: *What Do You Do When Your Winning ETF Has Run Up More Than 200%?*

June 26, 2016
Kit Juckes of Societe Generale: *Quants, ETFs, and Overweight Funds Hang Over Stocks on U.K. Vote*

June 30, 2016
Christine Benz of Morningstar: *Why Index Construction Matters for ETF Investors*

June 23, 2016
Jeffrey Gundlach of DoubleLine: *Jeff Gundlach's bond bond is about to score a major win*

June 27, 2016
Jane King of TheStreet: *What's Next for the Stock Market This Week Post-'Brexit?'*

June 22, 2016
Alex Bryan of Morningstar: *Are There Viable Alternatives to Traditional Bond ETFs?*

COHEN & STEERS

3 Reasons U.K. REITs May Withstand the Brexit Fallout

July 2016

Authored by:
Rogier Quirijns
Senior Vice President
Cohen & Steers

With negative sentiment swirling around the U.K., is it time to be a buyer of Britain? We believe many U.K. REITs are well positioned to weather economic uncertainty, aided by stronger balance sheets, greater focus on core assets and an emphasis on cash flow growth over development.

It may be some time before we know precisely what Britain's split from the European Union will mean for global markets. Political and economic uncertainty could persist for months, along with questions about the future of trade and business relations between the U.K. and the rest of the EU. Economists generally expect that the "Brexit" will lead to substantially lower business investment throughout the country and lower consumer confidence, and may have unfavorable spillover effects for the rest of Europe.

Fortunately, the U.K. was in relatively decent shape before the Brexit vote, and the Bank of England has a variety of stimulus tools it can use to provide stability to financial markets. However, our base case is that the country's economy may slow to a standstill in 2017 from about 1.5% growth this year, based on our estimates.

The main concern for real estate investors, in our view, is the impact on London, which could suffer a more dramatic slowdown than the rest of the country. We are already seeing fallout from the Brexit vote in certain investments: several open-end U.K. real estate funds that invest directly in commercial property recently halted redemptions due to substantial numbers of investors trying to exit. While the run on these funds was specific to this type of structure, the news has raised concerns about the implications for U.K. real estate more broadly (more on this below).

Despite the uncertain economic environment, we believe U.K. REITs are generally in a much better position than in previous downturns. Here are three reasons why:

1. Stronger balance sheets and lower leverage. As U.K. REITs have sought to improve their cost of capital, many have reduced their leverage, with loan-to-value rates for most REITs well below 40%, and many even under 25%.(1) We estimate that REITs should be able to withstand a pullback in asset values as much as 30% or more without having to raise additional capital, although a decline this severe seems unlikely to us. Depending on the location and type of property, we expect declines may range from 5% up to 25%, with London offices and residential likely suffering the most.

2. Higher-quality assets and increased sector focus. Most U.K. REITs have significantly altered their property portfolios in recent years, often focusing on a core area of expertise rather than a mix of different property types. For example, one U.K. REIT sold its office portfolio to focus exclusively on the retail segment. Another offloaded its non-core properties to increase its emphasis on locations and assets that could benefit from structural and secular trends such as e-commerce and urbanization. We generally prefer these sector-specific opportunities over the U.K. "majors," which tend to have more diversified property portfolios.

3. More emphasis on income over developments. Many U.K. REITs have shifted their focus from developing new assets to growing cash flows. This is a positive trend, in our view, as property ownership is generally a more predictable business than development, and we have found that it tends to be more highly valued by the market. Typical lease durations last in excess of 10 years, and since we do not believe the U.K. faces a severe recession or a "Lehman" event,(1) we expect cash flows for most U.K. REITs to remain solid over the long term.

Our Sector Views

We see recent market turbulence as an opportunity to increase ownership in attractively valued U.K. REITs with strong income and growth prospects. We are currently focused on logistics, self storage, student housing and health care. These sectors feature relatively solid fundamentals, in our view, and tenant demand could benefit from a lower pound. Some of these REITs have dividend yields of 4–6%, with payouts that we expect will grow by 5–10% annually over the next two years despite the Brexit shock.(2) At the same time, we continue to largely avoid the London office and development markets—a stance we adopted months before the Brexit vote due in part to our outlook for slowing rental growth.

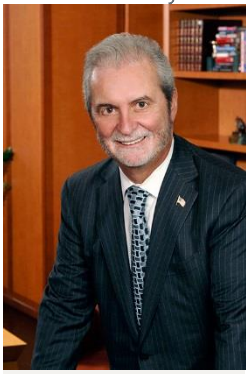
As Open-End Property Funds Suspend Trading, What Is the Impact on REITs?

The market's orderly response in the wake of the U.K. referendum saw some cracks in early July, when a number of open-end U.K. real estate investment funds halted redemptions, giving them time to raise cash. These funds provide an open-end vehicle for investing in illiquid private real estate, in which investor redemptions must be funded directly from the fund's assets. (By contrast, listed REITs are closed structures, where buying and selling shares does not affect the REIT's capital base.)

Click here for complete reading

Economic Outlook

July 2016



Authored by:
John P. Calamos, Sr.
Founder, Chairman and Global CIO
Calamos Investments

Entering the second half of the year, market participants find themselves facing many familiar unknowns: whether the U.S. and global economies can maintain their muted pace of growth, the potential ramifications of a strong dollar, and the extent to which monetary policy can influence the markets. The political landscape remains a source of apprehension, as investors seek to understand the implications of Brexit and more broadly, global populist sentiment. Yet investor appetite for risk assets has been on the upswing. In this environment, we believe:

• Despite signs of deceleration, near-term global economic expansion should continue. The pace is likely to be slow overall and uneven among countries.

• Even as U.S. equities have rallied to new highs, downside risk management remains important given the political crosscurrents and macro environment.

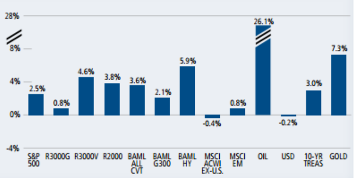
• Across asset classes, securities with higher quality attributes remain most attractive overall. Growth is likely to outperform, with select opportunities in cyclicals.

• The global and U.S. economies are not facing imminent recession, but fiscal policy decisions will be crucial in defining the way forward. It will be hard to break out of a tepid-growth environment without policies and regulations that encourage entrepreneurship and responsible risk taking.

• After years of aggressive monetary policy, central banks have limited room to maneuver effectively.

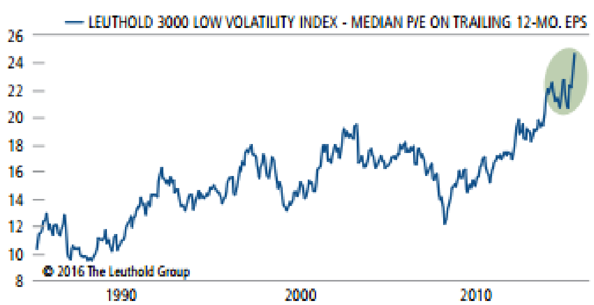
FIGURE 1. GLOBAL ASSET CLASS PERFORMANCE, 2Q16

Oil rallied over the quarter, due to geopolitics, company-specific issues and lessening concerns about supply/demand imbalances. Treasury bonds and gold performed strongly, as the result of the Brexit referendum unleashed risk-off sentiment. U.S. equities also advanced, despite a spate of Brexit-borne anxiety, with investors quickly coming to view the vote as political event, not a trigger for a global financial crisis. Convertible securities demonstrated resilience, outperforming stocks, while high yield bonds benefited as investors sought an alternative to low global sovereign rates.



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

FIGURE 2. "SAFETY STOCKS" HAVE REACHED EXTREME VALUATIONS



Source: The Leuthold Group.

U.S. Equities. Employment and manufacturing data, as well as signs of wage growth, support our view that the U.S. economy can continue expanding at a pace consistent with recent years, albeit at a lower rate historically seen at this point of the business cycle. The direct impact of Brexit is likely to be contained and provided the dollar doesn't spike, the U.S. economy should be able to maintain its course. We share in the view that the Federal Reserve is likely to forestall any interest rate increases for the foreseeable future, given the potential economic impact of Brexit and other related political uncertainties.

The stock market is likely to remain highly sensitive to economic releases and announcements, as participants seek to make sense both of the data itself as well as how it is likely to influence Fed policy. As the next earnings announcement season commences, guidance is likely to be cautious, especially for currency-sensitive companies. We are devoting particular focus to trends in capex spending, where the impact of euro zone uncertainties is yet to be determined.

Investors' preference for cyclical stocks has faded in the wake of Brexit, with dividend-oriented stocks leading the rebound as investors seek income. However, we are concerned that many of these "safety stocks" are trading at stretched valuations (Figure 2), without offering the long-term growth characteristics we seek. Looking forward, we believe the combination of choppy global growth and lackluster yields worldwide will lead investors to increasingly differentiate between growth versus value. Conditions should support a sustained period of outperformance for U.S. growth stocks with quality attributes, albeit with opportunities for select cyclicals.

Global and International Equities. As we noted, we are not calling for a global recession, but do believe that risk management will be especially important in this environment. Although central banks remain committed to monetary policy as required, the efficacy of their actions has become increasingly uncertain. Global yield curves have become much more flat, if not inverted (Figure 3) and absolute yields continue to come down with negative yields for Japan and German 10-year sovereigns. Meanwhile, muted world trade points to lower global growth (Figure 4).

While Brexit is not shaping up to be the catalyst for a global financial crisis, we remain vigilant to a potential snowball effect of populist sentiment. These include already-scheduled elections and referendums, as well as calls for exit referendums in a number of other euro zone members. However, the results of Spain's postBrexit election suggest that populist momentum may be less than markets originally anticipated following the Brexit result, while the growing near-term economic concerns facing the UK may serve as a further deterrent. Additionally, we may see increased openness to compromises among euro zone members that give periphery countries more latitude. While we are concerned that conversations about the Italian banks haven't gone particularly well, we are optimistic that an acceptable solution can still be reached.

Our strategy in Europe has lately focused on companies with higher quality attributes, such as strong balance sheets and good returns on invested capital. While we have pared exposure to the UK and euro zone more broadly, we continue to identify opportunities in both, including technology, consumer and health care companies with well-recognized global brands and geographically diversified revenue streams. We're more cautious on UK and euro zone companies that are more dependent on cyclical tailwinds to drive earnings growth, and those that would be more vulnerable to declining business and consumer confidence. We are maintaining exposure to European financials, but are generally underweight in banks, instead preferring beneficiaries of a low interest rate environment, such as real estate names.

In regard to Japan, economic surprises have been on the downtrend over recent months, and a strong yen is a headwind for an export-oriented economy. However, the potential for further monetary policy could help support export industries and beneficiaries of reflation, and we are more likely to see the fiscal policy we believe is essential for sustainable growth.

Since the mid-February low, we have become marginally more bullish on emerging markets (see a transcript of our recent webcast for more). Economies with lower-quality fundamentals have continued to performed well, but we remain concerned about the downside associated countries such as Russia and Brazil. We are maintaining our emphasis on countries that are less tied to commodity prices and those which are moving toward higher levels of economic freedoms. Prospects look relatively good in Indonesia and India, both of which have cut interest rates. We are also watching the Philippines with great interest, as new leadership looks set to continue with economic reforms. In regard to China, we continue to believe the government has the tools and levers it needs to prevent a hard landing in the near term. Our focus in China remains on technology and consumption, areas that we believe can benefit from the country's transition to a more balanced consumer-driven economy.

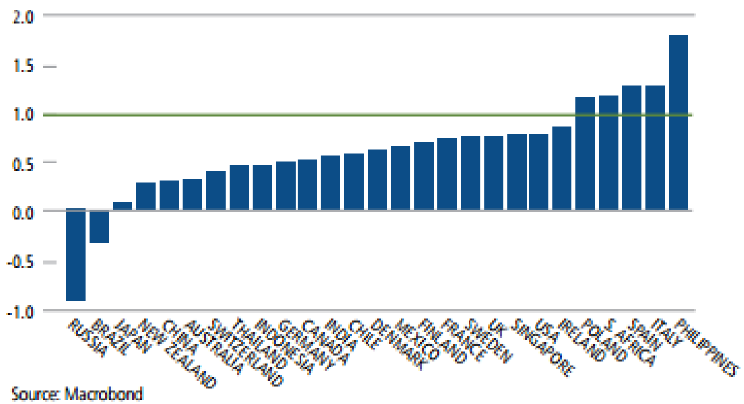
Convertible Securities. During the quarter, convertibles outpaced equity markets and we believe convertibles' hybrid stock-bond attributes remain compelling, given the equity market volatility we expect and our concerns about traditional fixed income securities, where sovereign bond yields are paltry to negative.

We are maintaining our focus on convertibles with balanced risk/return attributes, seeking to use short-term volatility as an opportunity to add to our favorite positions. We remain selective within the higher equity sensitive portion of the market, particularly on areas where we believe there is a smaller margin of safety in underling equity valuations.

We continue to find many opportunities within the technology sector, where we have identified securities with attractive convertible structures, solid balance sheets, strong fundamentals and favorable long-term secular growth prospects. Within the more yield-oriented section of the convertible universe, we have found opportunities in REITs and select convertible preferreds issued by banks. We have been and expect to remain underweight cyclical areas, such as industrials, energy and materials. Even in our global convertible portfolios, direct exposure to the UK and Europe has been relatively low. We are closely evaluating that exposure as well as U.S.-based positions with significant European exposure.

FIGURE 3. FLATTENING YIELD CURVES, GLOBALLY

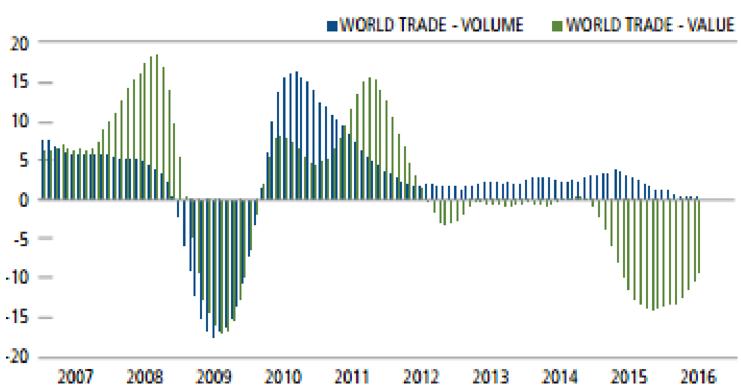
10-YEAR SOVEREIGN YIELD LESS 2-YEAR SOVEREIGN YIELD (PERCENTAGE POINTS)



Source: Macrobond

FIGURE 4. DECLINING WORLD TRADE

6 MONTH MOVING AVERAGE, % CHANGE Y/Y



Source: Macrobond

Although year-to-date global issuance of $38.0 billion is not as strong as it was a year ago, it remains healthy, supported by an uptick of activity in June. Of particular note, the quarter saw one of the largest convertible deals in history, issued by a Chinese internet company. Although emerging markets issuers represent a small portion of the convertible market today, we believe this recent deal represents an exciting milestone in the evolution of the global convertible market.

High Yield. Although market participants sold off "risk" assets in the two days following the Brexit vote, oil prices rallied back to close the quarter near $50, providing a continued tailwind to commodity-related issuers.

Click here for complete reading

Senior Loan & High Yield Review – 2nd Quarter 2016

July 12, 2016

Authored by:
William Housey, CFA
Senior Vice President, Senior Portfolio Manager
First Trust

Market Review

In the second quarter of 2016, capital markets experienced a major reversal from the negative trends and high volatility of the first quarter. At the low-point, which was reached on February 11, 2016, the high-yield bond index was off 5.14% and the senior loan index was off 1.36% year-to-date, respectively. However, despite the negative trends and volatility early in the year, the high-yield index has swiftly recovered and is now up 9.32% year–to-date while the senior loan index also reversed course and is up 4.51% over the same time period. These returns compare favorably to the S&P 500 Index which was up 3.84% through the first half of the year (Exhibit 1 and 2).

Exhibit 1 – US High-Yield Bond Performance: 1997 – June 2016

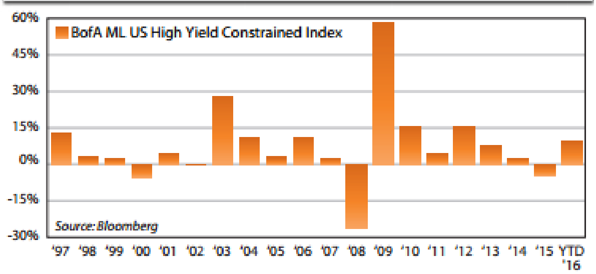
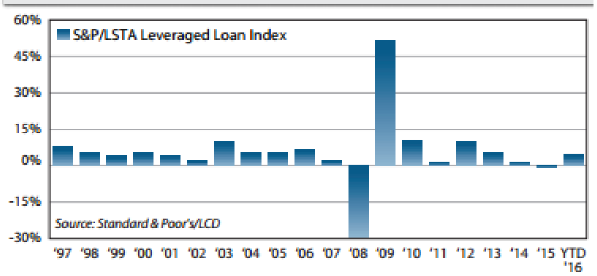
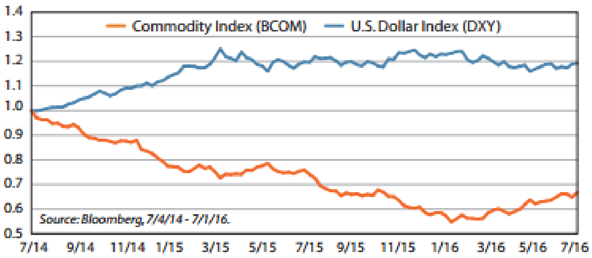


Exhibit 2 – US Senior Loan Performance: 1997 – June 2016



There were a number of factors driving markets in the first half of the year. First, commodity prices have shown an impressive recovery from the trough along with the financial markets. In fact, the Bloomberg Commodity Index is up 20.13% from the February 11th low, bringing the year-to-date total return to 13.09%. The commodity weakness in the early part of the year was a primary driver of the volatility throughout most major risk markets, including the high yield and senior loan markets. Commodity prices are typically inversely related to movements in the U.S. dollar. As such, a weakening U.S. dollar, caused by a shift in sentiment from the Federal Reserve to a more dovish posture, helped propel commodities from the trough (Exhibit 3). Second, the 10-year U.S. Treasury yield was 2.27% at the end of 2015 and as of the end of the 2nd quarter of 2016 is now at 1.47%. Typically such low rates are reserved for an environment that is far more problematic (as would be the case in a recession).Quantitative Easing (QE) from central banks around the world has driven foreign yields so low that even though yields in the U.S. are near historic lows, the yields remain attractive relative to those foreign yields. In essence, the U.S. is the best house in a troubled global neighborhood. In fact, the European Central Bank has now begun buying corporate debt, which is an expansion of its buying program that historically focused primarily on government bonds. The expansion of QE to corporate bonds has sent the yields of European corporate debt securities lower and for some highly-rated companies' bonds, they are now negative. The implication is that for global investors seeking yield (pension plans, insurance companies, retail investors, etc.), there are limited options to generate an attractive yield. Consider the fact that a German Bund 10-year bond yield is negative 0.13% and a Japanese 10-year Government bond yield is negative 0.22% (Exhibit 4). The low and negative yield phenomena we are seeing in Germany, Japan and other developed markets has caused fixed-income investors globally to take greater exposure in higher-yielding U.S.-denominated debt, including government bonds, investment-grade corporates, and even high-yield bonds, thereby driving up the price of those bonds and pushing the yields lower. The referendum in England on June 23rd whereby the British voted to leave the European Union (BREXIT), only served to exacerbate this phenomenon. We believe the uncertainty created by such a monumental political event has fueled an even greater need for a safe haven, of which the U.S. is the primary beneficiary. Finally, the flow of funds globally into the U.S. has created a volatile foreign currency market. However, despite the recent volatility, the U.S. dollar, as measured by the U.S. Dollar Index (DXY) largely remains range bound between 92 and 100. The strength of the U.S. Dollar had proven to be a significant head-wind for earnings of multinational companies and for commodity prices in 2014 and 2015. We believe this sideways pattern for the U.S. dollar eases much of that head-wind (Exhibit 5).

Exhibit 3 – Commodity Index (BCOM) vs. U.S. Dollar Index (DXY)
The U.S. Dollar's Negative Correlation With Commodity Prices



As we enter the second half of the year, we believe corporate high-yield bonds and senior loans are well positioned to benefit from a supportive backdrop. In fact, we believe the current environment could be characterized as a goldilocks scenario for corporate credit. The Federal Reserve is moving slowly with rate increases, and the uncertainty caused by the Brexit vote should only serve to moderate the Federal Reserve's dovish pace further, in our opinion. The Federal Reserve's gradual path for interest rate increases and the increasing foreign demand for U.S. bonds, given the yield advantage, is supportive of a low interest rate environment and continued strong demand for U.S. fixed-income assets in our opinion. Furthermore, commodities appear to have bottomed, which mitigates the deflation fears that were prevalent earlier this year, while the U.S. dollar has remained range bound Most importantly, the U.S. economy continues to grow at a slow and steady "plow-horse" pace, as our Chief Economist Brian Wesbury has pointed out for years.

Exhibit 4 – 10-Year Government Bond Yields: June 2016

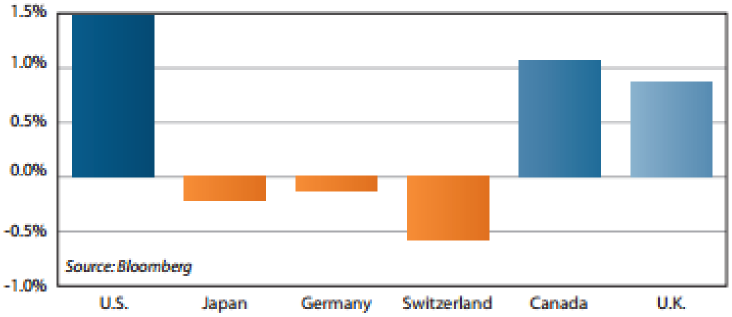
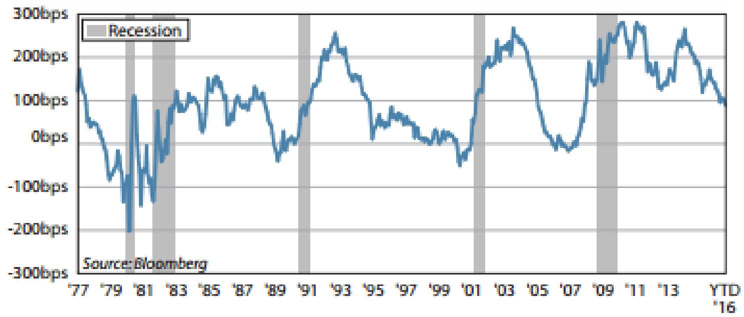


Exhibit 5 – U.S. Dollar Index (DXY): December 2013 – June 2016

We are often asked what keeps us up at night. A couple of things come to mind. First, we believe the market is pricing in low inflation expectations. We are seeing some, albeit modest, wage growth but commodity prices have stabilized, so no clear signals that inflation is on the rise. However, if inflation were to increase relative to current expectations, this would likely lead to increased volatility and higher interest rates; a scenario that is not priced into the market today. Secondly, the yield curve has flattened significantly this year. The difference between the 2-year U.S. Treasury yield and the 10-year U.S. treasury yield has gone from 122 basis points at yearend 2015 to 88 basis points at the end of the 2nd quarter of 2016(Exhibit 6). Historically, when the 10-year U.S. Treasury yield has fallen below that of the 2-year U.S. Treasury yield, known as an inverted yield curve, the relationship has been a strong leading indicator of a recession. In this case, the flattening yield curve has been significantly influenced by foreign demand for U.S. bonds, as stated above, which we believe mitigates the typical concerns associated with a flattening curve. However, we'll be watching this closely.

Exhibit 6 – Spread Between 2-Year and 10-Year U.S. Treasurys: 1977 – June 2016

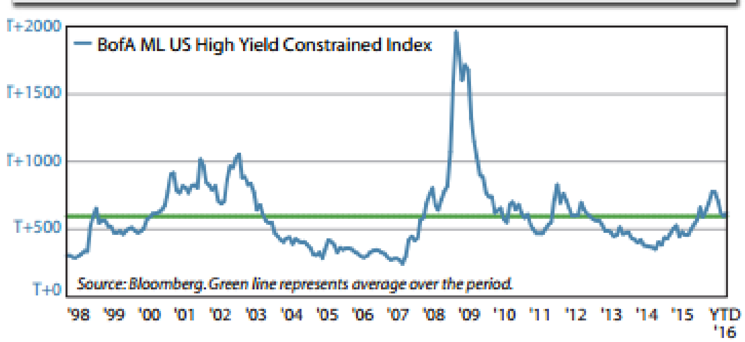


Outlook

We believe that this volatility has and should continue to provide compelling valuations and opportunities in the U.S. high-yield bond and senior loan markets. With that said, we believe credit selection will be paramount to driving strong returns over the remainder of this economic cycle. In the early years of the economic recovery, returns came relatively easily. We believe returns can still be healthy for this portion of the cycle, however, they will be harder to come by, with greater volatility in the markets.

High-yield bond spreads over U.S. Treasuries are wide of historical norms at T+621bps (Exhibit 7). However, the commodity price volatility in areas such as oil, natural gas, coal and iron ore have led to increased defaults within the high-yield bond market, with more defaults anticipated. Therefore, we believe a portion of the higher spreads is warranted to compensate for the commodity sensitive areas of the market. Nevertheless, we believe the increased defaults should be contained within the commodity sectors, and hence, not a contagion to other areas of the market (Exhibit 8). Excluding the energy/metals/mining segment, the high-yield bond market has a spread of T+576bps over U.S. Treasuries and a yield-to-worst of 6.90%, according to BofA Merrill Lynch as of 6/30/2016. Our primary focus is finding value in the approximately 82% of the high-yield bond market that is not in the commodity related sectors. Current spreads for these sectors are modestly tight to the long-term average spread of the high-yield bond index. The long-term average spread for the overall BAML high-yield bond index is T+596bps (December 1997 – June 2016).

Exhibit 7 – U.S. High-Yield Bond Average Spread (OAS)*: December 1997 - June 2016



As our investors know, we have maintained a significantly underweight position in energy and metals/mining given the volatile nature of the asset values and cash flow characteristics. This proved to be beneficial in the wake of the dramatic commodity price declines, but conversely creates a head-wind when commodity prices rise. We believe it is important to view these ebbs and flows over a longer time horizon through the cycle.

Retail investors have continued to reduce exposure to senior loans in the wake of declining Treasury yields and more dovish U.S. Federal Reserve rhetoric.We believe that with further increases in the Federal Funds rate on the horizon, even if they occur at a modest pace, investors in senior loans are likely to benefit. Current spreads compare favorably to the pre-credit crisis average spread of L+372 (December 1997 – June 2007) and remain wide of the long-term average spread of L+526 (December 1997 – June 2016). Based on current valuations (average price of $93.20 and spread of L+589), we believe senior loans, given their senior secured position in the capital structure, floating interest rate, and high-income ,are well positioned as we move through 2016 (Exhibit 9).

In summary, we believe that both the high-yield bond and senior loan markets offer compelling opportunities today, specifically within actively managed strategies where risk can be appropriately managed. In a market where equity volatility is high, investors may benefit from moving up the corporate capital structure into high-yield bonds and senior loans, where competitive yields and lower volatility are typical. As we evaluate new investment opportunities, decisions will continue to be rooted in our rigorous bottom-up credit analysis and focus on the opportunities that we believe offer the best risk and reward balance. Despite the many distractions that ebb and flow every quarter, we remain firmly focused on finding value in the high-yield bond and senior loan markets.

Exhibit 9 – U.S. Senior Loan Average Spread over LIBOR[1]: December 1997 - June 2016

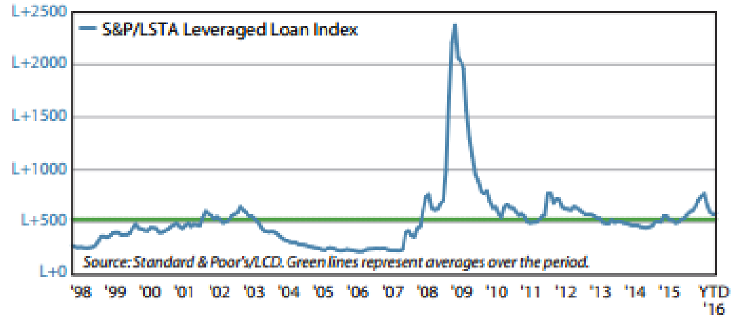
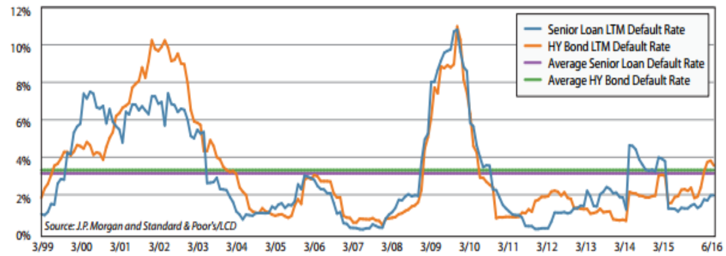


Exhibit 8 – Senior Loan and High-Yield Bond Historical Default Rates[2]: March 1999 - June 2016



Click here for complete reading

The India Fund, Inc. (IFN)

Is Rajan leaving a blow for reforms?

Reserve Bank of India governor Raghuram Rajan announced he will leave in September when his current term ends, dashing any hopes for an extension. There are concerns the departure of the respected but outspoken central banker, a key architect of reforms, may help trigger a new period of uncertainty. Rajan will be missed but he is not irreplaceable. There's no doubt he is a foreign investor favorite who represents stability and competence – a steady pair of hands who stood up against political interference and fought for central bank independence. But reforms have been a team effort and the government has been as important as the central bank in attracting record foreign direct investment, the transition to a positive basic balance of payments and keeping food inflation under control. Meanwhile, a credible Monetary Policy Committee, inflation-targeting and the overhaul of bankruptcy rules are principles that the government is committed to, thus helping to ensure policy continuity.

Who will take over at the RBI?

There are plenty of qualified candidates. Among those mentioned are Arvind Subramanian, chief economic advisor to the government and a former IMF colleague. Urjit Patel, a deputy governor at the RBI and an important architect of some of the key reforms, is also a leading contender.

We anticipate some volatility, especially for the rupee, but Rajan is still at the helm for another three months and the central bank will support the currency.

So what's the big deal about these new bankruptcy rules?

The new Insolvency and Bankruptcy Code 2016 promises to streamline and accelerate the process through which creditors can recover their money when a company goes out of business. This is important because bad debts are a big problem for the government controlled banks. They are also preventing these state-backed lenders from fully supporting the infrastructure investment that is vital for Prime Minister Narendra Modi's reforms. India's fractured insolvency regime means the existing process takes far longer than in many other major economies, while recovery rates are typically lower. The new code, when it is implemented, will help clear up bank balance sheets to allow lending for more productive purposes. This will, in turn, help support economic growth within a more stable financial system.

We're now two years into a Modi administration, have reforms stalled?

Change is taking place (e.g. the Insolvency Code) but it's more likely to be the sort of incremental, under-the-radar transformation that isn't the stuff of big headlines. Individual states are making progress securing land for infrastructure development, even if the politicians cannot agree on new legislation to achieve this at a national level. A separate drive to slash red-tape and boost transparency has led to the creation of one-stop-shop online and mobile portals, as well as simplified registration procedures for starting businesses. One scheme in Delhi, soon to be adopted in other parts of the country, has cut the time required to incorporate a company to just one day.

Are they making any difference whatsoever?

There's evidence to suggest that senior public officials are more responsive; that efforts to open bank accounts for millions of rural Indians (so that subsidy payments go straight to recipients) have reduced opportunities for corruption by intermediaries; that coal production has increased, as have contracts awarded to build more roads.

A few of these initiatives were inherited by Modi, but whereas the previous government was unsuccessful in getting some off the ground, the current administration has made notable progress.

How will changes to tax laws affect our investments?

India will start imposing capital gains tax on investments coming from Mauritius starting next year, after the two countries agreed to amend a three decades-old tax treaty. Foreign investors typically use special purpose vehicles registered in Mauritius (as well as Cyprus, the Netherlands and Singapore) to enjoy exemptions from this levy when investing in India. The impact on our Indian equity portfolio is expected to be limited because it is covered under the India-Singapore tax treaty (we changed the tax residency of our Mauritius SPV to Singapore last year), although we do expect the terms of that agreement to be renegotiated eventually. Nevertheless, the Mauritius rule change is not being applied retroactively and transition terms are reasonable. More importantly, capital gains tax is only levied on investments held for less than 12 months. Aberdeen's long-term philosophy means our investments are rarely so short term.

Authored by:
Adrian Lim
Senior Investment Manager
Aberdeen Asset Management

Click here for complete reading

Fund Updates

- Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc. Announces Dividend – July 12
- Adams Diversified Equity Fund Declares Distribution, Announces First Half Performance, & July 28 Conference Call – July 13
- AllianceBernstein Closed-End Funds Announce Distribution Rates – June 24
- The Asia Tigers Fund, Inc. Announces Dividend – July 12
- BMO Asset Management Inc. Announces Cash Distributions for BMO Exchange Traded Funds – July 19
- BMO Asset Management Inc. Announces Cash Distributions for BMO Exchange Traded Funds – June 20
- Calamos Closed-End Funds (NASDAQ: CHI, CHY, CSQ, CGO, CHW and CCD) Announce Monthly Dist. for July 2016
- Cushing® MLP Total Return Fund Announces Monthly Distribution – July 1
- Certain Deutsche Closed-End Funds Announce Termination of Trust and Liquidating Distribution to Shareholders no later than December 31, 2018 and Agenda for Annual Meeting of Shareholders – July 13
- DoubleLine Opportunistic Credit Fund Declares July 2016 Distribution – July 1
- Eaton Vance High Income 2021 Target Term Trust Declares Initial Monthly Distribution – July 1
- Eaton Vance Closed-End Funds Release Estimated Sources Of Distributions – June 30
- First Trust Energy Income and Growth Fund Declares Quarterly Distribution of $0.58 Per Share – July 11
- Global Water Solutions Fund Announces Quarterly Cash Distribution – June 20
- Guggenheim Investments Exchange Traded Funds Declare Monthly Distributions - June 30
- Horizons Announces June 2016 Distributions for Certain ETFs – June 21
- MainStay DefinedTerm Municipal Opportunities Fund Declares Monthly Dividend Distributions for the Months of July, August and September
- Neuberger Berman Closed-End Intermediate Municipal Funds Announce Monthly Distributions – July 15
- Resource Credit Income Fund (RCIAX) Announces Quarterly Distribution – July 7
- The Swiss Helvetia Fund, Inc. Declares Capital Gain Distributions and Announces Appointment of New Director – June 23
- WisdomTree ETFs Declare Distributions – June 20

Managing Retirement Income in a Low-Yield Environment

Tuesday, June 7, 2016 | 11:00 AM ET

Matthew:
Thank you, Paul. And thank you, everyone for joining us this morning. We have a very exciting presentation to share everyone our conversation today around producing income in low yield environments. I'd like to ask everyone to start off today by just going to slide 2 on the presentation deck.

Managing retirement income is an extremely difficult thing to do for all parties involved, whether it's an individual investor, a financial adviser or an active manager. What we're looking at on slide two of our presentation deck here today is highlighting the ten-year treasury note across the last five decades from 1962 through June of 2016 encompassing 54 plus years in the yield of a ten-year treasury note.

What we see on this chart, the 1962, the yield on the treasury was around 4% peaking in the early 80's to yield of about 16%. And now if we take a look more closely at the last few decades could benefit in this declining yield environment. And now today in this low yield environment. For the yield of integrity treasury is only at 1.7%. The first of America marching towards retirement currently, managing retirement income and providing retirement income is going to be extremely important and even more important as individuals continue to get older.

I'm Matt Winker, Vice President of Business Development of WBI and I'm joined today by our national sales manager, Dan Colluccio.

Daniel:
Good morning, Matt. Thanks everybody for taking some time. Looking forward to the conversation.

Matthew:
Great. Thank you, Dan. A little bit about WBI. You have been around for a very long time. I'd like to have everyone turn to slide three of the presentation. WBI is founded in 1984. We're headquartered right back of New Jersey. We help provide wealth building solutions for individual investor, financial advisors as well as institutions. To provide these solutions across their separately managed accounts, our mutual bonds as well as our exchange-traded bonds. 2014 was a banner year for WBI. We had the largest launch in active ETF history launching 10, true active ETFs eclipsing one billion dollars in assets on our management or our first day of trading.

We also rang the opening bell in New York Stock Exchange a couple of months later in 2014. As of today, WBI we manage approximately three billion dollars in total assets under management. But taking a closer look at WBI, it's important to know that we focus first and foremost on capital. Providing risk managed and retirement income solutions, what WBI does not stand for is we beat indexes. That's because with the focus on capital first and foremost to try to help investors and advisers built wealth.

Our firm name actually stands for Wealth Builders Incorporated. We believe that to build capital more consistently, the traditional approaches, you need to have an approach that speaks the optimal blend of fair market preservation of capital in both market returns. What Dan and I are going to share with everyone today is an excellent approach to helping to manage retirement income in a low yield environment that's more unique and more successful than traditional approaches.

So I'd like to Dan Colluccio, if you could please share with everyone today, what is a -- how would you define a successful approach to manage your retirement income?

Featured Presenters

Matthew Woehnker
VP of Business Development
WBI

Daniel Colluccio
National Sales Manager
WBI

Daniel:
Thank you, Matt. Today, one of the hardest jobs that investors and advisers are facing is managing income claims for client and retirement. I mean Matt was speaking to the ten-year treasury and how we have seen yields decline over the last few decades here. And really, this is a challenge many investors and advisers are facing right now. And there is zero room forever when managing income plans.

One of the greatest financial risk advisers, investors face right now is outliving their retirement savings. So you ask about what are the pillars for a good retirement income plan. If you move to the next slide which is slide number four, what we found to be the three most important pillars to a successful retirement income plan is first, protect client capital. You need to ensure that you are avoiding those significant losses of capital that ruin investor's chances of investment success.

The second pillar to a successful retirement income plan is about generating income. It's about generating income close to withdraw rates that investors need to meet their retirement goal. And then the third pillar to a successful income plan in this low yield environment, it's about providing consistent long-term growth and growth is extremely important so that you could out paste inflation and the increasing income needs that investors face as they lived through retirement.

Now, you all might be thinking, well this is a webinar about producing income in a low yield environment. Why is an income the most important pillar to building out a retirement income plan? And if you move to the next slide which is slide five of your deck, the reason why income isn't the most important pillar is because at no point in time can investors afford to lose a significant amount of capital when they're drawing income in retirement, because large losses have such a negative effect on a client's ability for investment success that these large losses will ruin your chances of investment success if you're drawing income in retirement.

So if you take a look at the chart that you have in front of you on slide five of the deck, what this is illustrating is on the bottom in light green, that's if you were to lose your capital on the top in dark green, that's the percentage of capital that you would need to gain in order to recover that loss. At WBI, if we feel that you're drawing income in retirement, the maximum that an investor could handle is a loss of about 10% in any given year.
And if you look at the math behind it, if you look forward to the left hand side of that chart, you'll see down 10%. If you're down 10%, you lose 10% of your capital. You would need to recover 11% of that capital to breakeven, something fairly easy to do. We're down 10, you need to be up a little more than 10% to recoup that loss.

Now if we take a look at a real life example and we look at the SMP-500, an index that many investors follow many advisors and investors see in the news periodicals on a daily basis. Well the SMP-500 over the last 16 years actually had a max draw down near 50%. If you look back at your slide here and if you look down 50%, if you lose 50% of your capital, many investors think that you just need to be up 50% to recoup that loss where in fact, you have to be up a hundred percent just to get back to even.

The SMP-500 over that 16-year period drew down, peaks to throw off nearly 50%. So if you bought a pie and sold it to low, you would have experienced a decline of 50% of your capital. This is a significant draw down that can hurt investors. The SMP-500 didn't recover from that 50% draw down until 2012. It took three years from the credit crisis in which that draw down occurred. It took over three years for clients to get their capital back. And that's if investors stayed invested which unfortunately investors typically don't do.

Investors will typically buy high and sell low rather than what is successful which is buying low and selling high. So if you go to the next chart, the next slide which is on slide six, this is going to show you that the investor experience has actually been like relative to what we would like to do which is buy low and sell high.

So investor's behavior, think about it. Investors buy when they are confident. Investors sell when they are scared. So if you look at this chart which is slide six of the presentation, what this is illustrating, the black line that moves up and down from left to right is the Dow Jones Industrial Average. This is what the Dow Jones has done from 2007 to today. And you'll notice the bars, the green bares that move up are flows into the market, investors buying into the market and the blue bars moving downward are investors flowed out of the market.

So what you are going to notice is that, when investors are confident, when markets are doing well, during that late stage of the bull market leading into 2008, if you look at the left hand side of the chart, in January of 2007, when things were good, investors were confident. There were positive flows in the market. Investors were buying time. The market then declines and what you'll notice is the Dow Jones Industrial Average plummet there. And when do investors sell? Investors sell near the peak of that bottom in late 2008, in early 2009.

So investors are selling when they are scared. The troubling fact here is that they are not buying back into the market until 2013. Look at where you see the large inflow in green. That happens in 2013. So investors are missing that very important early stage of the bull market where you could grow capital because of emotion.

The first pillar of retirement income success is all about protecting capital and eliminating these emotions that cause you a buy high and sell low and have a process in place that will ensure you're protected from large losses because as you can see, if you're down 50% in any given year, you'd actually have to be 100% just to break that even.

Another interesting fact is the NASDAQ. Back in 2000, the NASDAQ index is actually down over 80%. And if you think back to that heart that we were reviewing, if you're down 80% and you invest just in growth, you have to be up over 400% just to break back even.

This is why the most important pillar to the retirement income success and providing income at a low yield environment is not yield. It's protecting capital and ensuring that that capital base is protected from those significant market declines.

Click here for complete reading

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

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

Upcoming 2016 Webinars

AUG. 16

August 16 – GICS Sector Expansion: Spotlight on Real Estate
Featured: Cohen & Steers

SEP. 27

September 27 – TBD
Featured: Monroe Capital

OCT. 11

October 11 – TBD
Featured: Sprott Asset Management

OCT. 25

October 25 – TBD
Featured: Fitch Ratings

Past 2015-2016 Webinars

JUN. 7

June 7 – Managing Retirement Income in a Low-Yield Environment
Featured: WBI Investments

CEFs & Global ETFs Webinar Library

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

Please click on the calendar icon to access below webinar transcript and audio.

Visit http://webinars.capitallink.com/sectors/cef-etf.html for our complete CEFs & Global ETFs Webinar Library

Past 2015 Webinars

MAY 17

May 17 – How to Play the Value Comeback Using Dividend ETFs
Featured: ALPS

MAR 29

March 29 – Not All Share Buybacks are Created Equal
Featured: TrimTabs Asset Management

FEB 23

February 23 – The Case for Commercial Mortgage Backed Securities
Featured: Principal Real Estate Investors

FEB 9

February 9 – Implications of Volatility for Closed-End Fund Leverage
Featured: Fitch Ratings

JAN 12

January 12– 2016 ETF Landscape: Current Trends and Opportunities Roundtable Discussion
Featured: ALPS, BATS, Fidelity Investments, JP Morgan Asset Mgmt., Morningstar, and State Street Global Advisors

DEC 9

December 9 – The Case For Multi-Sector Credit Investing
Featured: Stone Harbor

Content Contributors

Aberdeen

CALAMOS

COHEN & STEERS

etfgi.com

First Trust

FitchRatings

LIPPER

WELLS FARGO ADVISORS

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