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Table of Contents

The Month in Closed-End Funds: October 2016

PERFORMANCE

For the first month in eight both equity CEFs and fixed income CEFs on average witnessed negative returns on a NAV basis (-1.91% and -0.56%, respectively). And for the first month in 11 both equity CEFs (-3.14%) and fixed income CEFs (-3.51%) posted negative market-based returns on average. The U.S. broad-based indices suffered declines as well as investors focused on the uncertainties of the upcoming election and the Federal Reserve Board's hawkish tone, with the Dow Jones Industrial Average Price Only Index losing 0.91% for the month of October (its third consecutive monthly decline), bettering the returns of the S&P 500 Composite Price Only Index (-1.94%, its third monthly loss in a row as well) and the NASDAQ Composite Price Only Index (-2.31%). The global markets posted comparable returns as the so-called "flash crash" of the pound rattled foreign exchange markets and as European Central Bank president, Mario Draghi, acknowledged that quantitative easing can't go on forever. The FTSE 100 Price Only Index witnessed the largest decline, dropping 5.26%, and the Xetra DAX Total Return Index lost 1.03%. However, both the Nikkei 225 Average Yen Price Only Index (+2.08%) and the Shanghai Composite Price Only Index (+1.65%) managed to stay in the black for October.

Another weaker-than-expected nonfarm-payrolls report at the beginning of October pushed investors into a funk, with stocks experiencing their first weekly decline in four as many investors believed that, while moderately disappointing, the new jobs numbers were strong enough for the Federal Reserve to still raise interest rates by year-end. The Department of Labor reported the U.S. had added 156,000 jobs for September, below the consensus-expected 172,000. Further support for a December rate hike came on the news that the September ISM manufacturing and nonmanufacturing indices rose to 51.5 and 57.1, respectively—beating analyst expectations.

Throughout the month hawkish statements from Fed officials kept the likelihood of a December rate hike on the minds of investors. No one really expected the Fed to raise rates at its November 1 and 2 policy meeting, just days before the election. Investors continued to focus on Q3 earnings reports and on the upcoming U.S. presidential election. The Wells Fargo and Deutsche Bank woes, along with vacillating oil prices, kept investors on edge. The most recent Q3 "Earnings Score Card" from our Proprietary Research colleagues showed that of the 499 S&P 500 companies reporting Q3 earnings thus far, 71% and 53% beat their analyst earnings and revenue expectations, respectively. But, investors appeared to want companies to not only beat their lowered estimates but actually experience growth in earnings and revenue.

Despite encouraging M&A news, a better-than-expected preliminary Q3 gross domestic product reading that showed the economy grew at 2.9%—its fastest pace since mid-2014, and strong earnings reports from the likes of Chevron and Alphabet, late in the month investors were jolted by the news that the FBI was restarting a probe into Hillary Clinton's emails. That injected even more political uncertainty into the equation. Adding to the late-month drama was a sharp decline in oil futures amid increased doubts that negotiated oil production declines will

The Month in Closed-End Funds: October 2016

- For the first month in eight both equity closed-end funds (CEFs) and fixed income CEFs witnessed negative returns on average, declining 1.91% and 0.56%, respectively, on a net-asset-value (NAV) basis for October.
- For October only 13% of all CEFs traded at a premium to their NAV, with 11% of equity funds and 14% of fixed income funds trading in premium territory. Thomson Reuters Lipper's national muni bond CEFs macro-group witnessed the largest widening of discounts for the month—466 basis points (bps) to 5.32%.
- Energy MLP CEFs (-4.15%) and Sector Equity CEFs (-4.13) pulled down the domestic equity CEFs macro-group (-2.47%) to the bottom of the equity universe—for the third month in four.
- With investors taking a keen interest in floating-rate debt and still in search of yield, the domestic fixed income CEFs macro-group stayed in positive territory (+0.49%), while the other macro-groups were in the red for the month.
- For the third month in four all Lipper municipal debt CEF classifications posted returns in the red, with New York Municipal Debt CEFs (-1.53%) posting the worst decline of the group.

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come to fruition after a weekend meeting by OPEC failed to deliver any concrete agreements.

As might be expected given the Fed's hawkish rhetoric, investors were pricing in a 68.4% chance the Fed will raise its key lending rate at least 25 basis points in December. As a result Treasury yields at all maturities along the curve—except the one-month yield, which experienced no change—witnessed increases between 5 bps (the three-month yield—to 0.34%) and 26 bps (the 20- and 30-year Treasury yields—to 2.25% and 2.58%, respectively).

For October the dollar strengthened against the euro (+2.58%), the pound (+6.67%), and the yen (+3.88%). Commodities prices were down for the month, with near-month gold prices declining 3.18% to close October at $1,271.50/ounce and front-month crude oil prices losing 2.86% to close the month at $46.86/barrel.

For the month only 25% of all CEFs posted NAV-based returns in the black, with 15% of equity CEFs and 33% of fixed income CEFs chalking up returns in the plus column. For the first month in five Lipper's mixed-asset CEFs macro-group (-1.07%) mitigated losses better than its two equity-based brethren: world equity CEFs (-1.18%) and domestic equity CEFs (-2.47%).

Despite the decline in oil prices and those of other natural resources, the Emerging Markets CEFs classification (+1.03%) jumped to the top of the equity charts for the second month in three. It was followed by Growth CEFs (+0.86%), the only other equity classification posting a return in the black for the month. Domestic equity CEFs (-2.47%) were pulled down by the likes of Energy MLP CEFs (-4.15%) and Sector Equity CEFs (-4.13%). For the remaining equity classifications returns ranged from minus 0.76% (Income & Preferred Stock CEFs) to minus 3.61% (Pacific ex-Japan CEFs).

Four of the five top-performing individual equity CEFs were housed in Lipper's Emerging Markets CEFs classification. However, at the top of the charts **Engex, Inc. (EXGI,** housed in the Growth CEFs classification) rose 13.24% on a NAV basis. (EXGI did not trade on October 31 and did not record a premium or discount for the day.) It was followed by **Latin American Discovery Fund, Inc. (LDF),** rising 7.19% and traded at an 11.35% discount at month-end; **Aberdeen Latin America Equity Fund, Inc. (LAQ),** posting a 7.05% return and traded at a 12.50% discount on October 31; **Aberdeen Chile Fund, Inc. (CE),** gaining 5.80% and traded at a 15.27% discount at month-end; and **Mexico Equity & Income Fund, Inc. (MXE),** rising 4.52% and traded at a 14.12% discount on October 31.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 9.65% to positive 13.24%—was wider than September's spread and more

CLOSED-END FUNDS LAB

TABLE 1 CURRENT-MONTH PERFORMANCE, P&D, P&D SHIFTS (% OF UNIVERSE)

	NAV RETURNS	PREMIUM/DISCOUNT		NOW TRADING AT	
	POSITIVE	BETTER	WORSE	PREMIUM	DISCOUNT
Equity Funds	15	23	74	11	88
Bond Funds	33	9	90	14	86
ALL CEFs	**25**	**15**	**83**	**13**	**86**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	OCTOBER	YTD	3-MONTH	CALENDAR-2015
Equity Funds	-1.91	9.51	-0.52	-7.95
Bond Funds	-0.56	8.50	0.46	1.27
ALL CEFs	**-1.16**	**8.94**	**0.03**	**-2.62**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

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

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

3 MONTHS THROUGH 9/30/2016	489
COMPARABLE YEAR-EARLIER 3 MONTHS	768
CALENDAR 2015 AVERAGE	381

Source: Thomson Reuters Lipper

negatively skewed. The 20 top-performing equity CEFs posted returns at or above 0.87%, while the 20 lagging equity CEFs were at or below minus 5.65%.

Only 40 CEFs in the equity universe posted positive returns for the month. The two worst performing funds were housed in the Sector Equity CEFs macro-classification: **Tekla Life Sciences Investors (HQL)** was at the bottom of the pile, shedding 9.65% of its September-closing NAV price and traded at a 7.36% discount at the end of October. **Tekla Healthcare Investors (HQH)** posted the next poorest return in the equity universe, declining 8.96%. HQH traded at a 7.74% discount on October 31.

In anticipation of an interest rate hike by the Fed in December the ten-year Treasury yield rose to an intra-month closing high of 1.86% on October 28, before settling at 1.84% at month-end—climbing 24 bps for the month. The yield curve shifted upward at all maturities in excess of one month, with maturities three years or greater each witnessing increases of 12 bps or more. For the eighth consecutive month domestic taxable bond CEFs (+0.49%) witnessed a plus-side return on average, while municipal bond CEFs (-1.44%) witnessed a negative return for the second month in a row. World Income CEFs (-1.10%) posted a return in the red on average for the first month in five, with Global Income CEFs (-0.17%) mitigating losses better than its Emerging Market Debt CEFs (-0.54%) counterpart.

With most pundits believing the Fed won't raise rates in November and with investors taking a keen interest in floating-rate debt and still in search of yield, the domestic fixed income CEFs macro-group stayed in positive territory. All but two classifications in the group posted returns in the black, with Loan Participation CEFs (+1.10%) posting the strongest return, followed by High Yield CEFs (Leveraged) (+0.54%). However, as investors gave the cold shoulder to Treasury-related and higher-quality issues during the month, it wasn't too surprising to once again see Corporate Debt BBB-Rated CEFs (Leveraged) (-0.61%) as the laggard of the group, bettered slightly by Corporate Debt BBB-Rated CEFs (-0.52%).

For the third month in four all Lipper municipal debt CEF classifications posted returns in the red. Intermediate Municipal Debt CEFs (-1.14%) and General & Insured Municipal Debt CEFs (-1.22%) mitigated losses better than the other classifications in the subgroup, while New York Municipal Debt CEFs (-1.53%) was the cellar dweller. National municipal debt CEFs (-1.42%) mitigated losses better than their single-state municipal debt CEFs counterparts (-1.47%).

Three of the five top-performing individual CEFs in the fixed income universe were housed in Lipper's domestic taxable fixed income CEFs macro-group. At the top of the group was **Templeton Global Income Fund (GIM**, housed in the Global Income CEFs classification), returning 3.57% and traded at a 12.07% discount on October 31. GIM was followed by **Templeton Emerging Markets Income Fund (TEI,** warehoused in the Emerging Market Debt CEFs classification), returning 3.52% and traded at a 10.57% discount at month-end; **Guggenheim Credit Allocation Fund (GGM,** housed in the General Bond CEFs classification), tacking 2.36% onto its September month-end value and traded at a 1.81% discount on October 31; **Credit Suisse High Yield Bond Fund (DHY,** housed in the High Yield CEFs [Leveraged] classification), returning 2.05% and traded at a 6.87% discount at month-end; and **PIMCO High Income Fund (PHK,** housed in the General Bond CEFs classification), posting a 2.02% return and traded at a 24.96% premium on October 31.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 3.54% for **Aberdeen Global Income Fund, Inc. (FCO,** housed in Lipper's Global Income CEFs classification), traded at an 8.24% discount on October 31, to 1.90% for **Blackstone/GSO Senior Floating Rate Term Fund (BSL,** housed in Lipper's Loan Participation CEFs classification), traded at a 0.80% discount at month-end. The 20 top-performing fixed income CEFs posted returns at or above 1.41%, while the 20 lagging CEFs were at or below minus 1.92%. A total of 218 fixed income CEFs witnessed negative NAV-based performance for October.

PREMIUM AND DISCOUNT BEHAVIOR

For October the median discount of all CEFs widened 236 bps to 7.70%—worse than the 12-month moving average discount (7.26%). Equity CEFs' median discount widened 130 bps to 10.07%, while fixed income CEFs' median discount widened 322 bps to 6.74%. National municipal debt CEFs' median discount witnessed the largest widening of discounts in the CEFs universe, 466 bps to 5.32%, while the world equity CEFs macro-group witnessed the smallest widening of discounts—44 bps to 13.39%.

For the month 15% of all funds' discounts or premiums improved, while 83% worsened. In particular, 23% of equity funds and 9% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on October 31 (67) was 47 less than on September 30.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

RiverNorth Capital Management said it has partnered again with Jeffrey Gundlach's DoubleLine Capital to launch a second portfolio, **RiverNorth/DoubleLine Strategic Opportunity Fund (OPP).** OPP will invest in fixed income securities and tactically invest in CEFs. RiverNorth serves as the fund's investment advisor, and DoubleLine serves as subadvisor to the fund. The fund raised gross proceeds of approximately $210 million in its IPO of common shares and should the underwriters exercise the overallotment option in full, the fund will raise gross proceeds of approximately $242 million.

RIGHTS, REPURCHASES, TENDER OFFERS

BlackRock Advisors, LLC announced that the boards of directors/trustees of 20 BlackRock taxable fixed income and equity CEFs have authorized open-market share repurchase programs pursuant to which each fund may repurchase through November 30, 2017, up to 5% of its outstanding common shares (based on the number of common shares outstanding on October 28, 2016) in open-market transactions. The repurchase programs seek to enhance shareholder value by purchasing fund shares trading at a discount from their NAV per share.

The funds that authorized a repurchase program were as follows: **BlackRock Taxable Municipal Bond Trust (BBN), BlackRock Resources & Commodities Strategy Trust (BCX), BlackRock Enhanced Equity Dividend Trust (BDJ), BlackRock Energy and Resources Trust (BGR), BlackRock Floating Rate Income Trust (BGT), BlackRock International Growth and Income Trust (BGY), BlackRock Core Bond Trust (BHK), BlackRock Multi-Sector Income Trust (BIT), BlackRock Income Trust (BKY), BlackRock Limited Duration Income Trust (BLW), BlackRock Health Sciences Trust (BME), BlackRock Global Opportunities Equity Trust (BOE), BlackRock Science and Technology Trust (BST), BlackRock Credit Allocation Income Trust (BTZ), BlackRock Utility and Infrastructure Trust (BUI), BlackRock Enhanced Capital and Income Fund, Inc. (CII), BlackRock Debt Strategies Fund, Inc. (DSU), BlackRock Enhanced Government Fund, Inc. (EGF), BlackRock Floating Rate Income Strategies Fund, Inc. (FRA), and BlackRock Corporate High Yield Fund, Inc. (HYT).**

Neuberger Berman Real Estate Securities Income Fund Inc. (NRO) announced that its previously announced tender offer for up to 15% of its outstanding common shares at a price equal to 98% of its NAV per share, as determined on the day the tender offer expires, is currently expected to commence on December 9, 2016, and expire on January 9, 2017, unless extended. The fund previously announced it would conduct a tender offer for up to 15% of its outstanding common shares at a price equal to 98% of its NAV if the fund's common shares traded at an average daily discount to NAV of more than 10% during the period from December 31, 2015, through September 30, 2016 (the "measurement period"). While the fund's common shares traded at a discount to NAV of 9.54% as of the close of the measurement period, the shares' average daily discount to NAV for the measurement period was 11.80%. Accordingly, the fund announced it will conduct a tender offer.

Cornerstone Total Return Fund, Inc. (CRF) announced completion of its one-for-three rights offering that expired on Friday, October 21, 2016; the offering was oversubscribed. Under the terms of the offering record-date shareholders were entitled to purchase one newly issued common share of the fund for every three rights held. The subscription price for each newly issued share was determined to be $13.69, which under the terms of the prospectus was equal to the greater of (i) 107% of the NAV per share as calculated at the close of trading on the date of expiration of the offering and (ii) 90% of the market price per share at such time. Based on preliminary results provided by the fund's subscription agent, the fund received requests for approximately $90 million of its shares. The subscription price was lower than the original estimated subscription price of $14.02. Under the prospectus any excess payment received from a shareholder would, unless otherwise indicated on the subscription certificate received from such shareholder, be applied toward the purchase of unsubscribed shares.

Cornerstone Strategic Value Fund, Inc. (CLM) announced completion of its one-for-three rights offering that expired on Friday, October 21, 2016. Under the terms of the offering record-date shareholders were entitled to purchase one newly issued common share of the fund for every three rights held. The subscription price for each newly issued share was determined to be $14.11, which under the terms of the prospectus was equal to the greater of (i) 107% of the NAV per share as calculated at the close of trading on the date of expiration of the offering and (ii) 90% of the market price per share at such time. Based on preliminary results provided by the fund's subscription agent, the fund received requests for approximately $97 million of its shares. The subscription price was lower than the original estimated subscription price of $14.43. Under the prospectus any excess payment received from a shareholder would, unless otherwise indicated on the subscription certificate received from such shareholder, be applied toward the purchase of unsubscribed shares.

The board of directors of **General American Investors Company, Inc. (GAM)** authorized repurchase of an additional 1,000,000 outstanding common shares when the shares are trading at a discount from the underlying NAV by at least 8%. This continued a repurchase program that began in March 1995. During this period the company repurchased 23.5 million common shares for $681 million at an average discount of 13.2%. On October 31, 2016, GAM traded at a discount of 18.79%

Franklin Limited Duration Income Trust (FTF) announced that its board approved adoption of a managed distribution plan whereby the fund will, beginning in January 2017, make monthly distributions to common shareholders at an annual minimum fixed rate of 10%, based on the average monthly NAV of the fund's common shares. The board also authorized the fund to conduct a tender offer no later than first quarter 2017 to purchase for cash up to 15% of the fund's issued and outstanding common shares at 98% of the fund's NAV per share. The announcement stated that management and the board continue to be very focused on the fund's discount and are committed to pursuing options that benefit all shareholders in the long run. On October 31, 2016, FTF traded at a 7.94% discount.

BlackRock Enhanced Government Fund, Inc. (EGF) announced that the annual offer to repurchase up to 10% of its outstanding common shares from its shareholders would commence on October 21, 2016. Under the terms of the repurchase offer the fund offered to purchase up to 10% of its shares from shareholders at an amount per share equal to the fund's NAV per share, less a repurchase fee of 2% of the value of the shares repurchased calculated as of the close of regular trading on the New York Stock Exchange on December 6, 2016. The repurchase offer was scheduled to expire on November 22, 2016, unless extended, with payment for the shares repurchased to be made on or before December 13, 2016.

Western Asset Middle Market Income Fund Inc. (XWMFX) announced the final results for its issuer tender offer for up to 2.5% of the outstanding 7,642 common shares of the fund at a price equal to the fund's NAV per share on the day on which the tender offer expired, October 5, 2016. A total of 14,286 shares were duly tendered and not withdrawn. Because the number of shares tendered exceeded 7,642 shares, the tender offer was oversubscribed. Therefore, in accordance with the terms and conditions specified in the tender offer the fund purchased shares from all tendering shareholders on a pro rata basis, disregarding fractions. Accordingly, on a pro rata basis approximately 53.49% of shares for each shareholder who properly tendered shares were accepted for payment; the fund transmitted payment to purchase the duly tendered and accepted shares on October 12, 2016. The purchase price of properly tendered shares was $771.15 per share, equal to the per-share NAV as of the close of the regular trading session of the New York Stock Exchange on October 5, 2016. Shares that were tendered but not accepted for payment and shares that were not tendered remained outstanding.

MERGERS AND REORGANIZATIONS

First Trust Advisors L.P. (FTA) announced the merger of **First Trust Dividend and Income Fund (FAV),** a CEF managed by FTA, with and into **First Trust High Income ETF (FTHI),** an actively managed exchange-traded fund and series of First Trust Exchange-Traded Fund VI, was completed prior to the open of the New York Stock Exchange on October 24, 2016. The shareholders of FAV approved the fund's merger with and into FTHI at a joint special meeting of shareholders on October 3, 2016. At the same meeting shareholders of FTHI approved issuance of FTHI shares in connection with the merger The merger was approved by the board of trustees of each of FAV and the trust on March 18, 2016.

Nuveen, an operating division of TIAA Global Asset Management, announced that the merger of **Nuveen Global Equity Income Fund (NYSE: JGV)** with and into open-end **Nuveen NWQ Global Equity Income Fund (NQGAX)** was completed prior to the open of the New York Stock Exchange on October 17, 2016. As part of this merger JGV shareholders received Class A shares of the NWQ fund as previously announced.

OTHER

BlackRock Advisors, LLC announced the board of directors of BlackRock Debt Strategies Fund, Inc. (DSU) approved a one-for-three reverse split of the fund's common shares. The fund anticipated completing a one-for-three reverse split prior to the open of trading on the New York Stock Exchange on November 16, 2016, for common shareholders of record as of the close of business on November 15, 2016. Trading in the fund's common shares on a split-adjusted basis was expected to begin at the open of trading on the NYSE on November 16, 2016. The fund's common shares will continue trading on the NYSE under its existing ticker symbol (DSU) but will be assigned the following new CUSIP number: 09255R202. The announcement said the board and BlackRock believe that increasing the market price of the fund's common shares through the reverse share split may attract coverage by additional analysts and broaden the range of potential investors in the fund's common shares, thereby potentially improving the market for and liquidity of the fund's common shares. On October 31, 2016, DSU's NAV was $4.10, and its market price traded at an 11.71% discount, closing that day at $3.62.

CEF Performance Statistics

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Lipper Classification	Average of 1Mo Nav Change	Average of 1 Mo Mkt Change	Average of October P/D	Average of September P/D	Average of 1 Mo P/D Change	Average of YTD NAV Change	Average of YTD Mkt Change	Average of YTD P/D Change
California Municipal Debt Funds	-1.89%	-6.49%	-1.73%	3.12%	-4.85%	0.29%	0.10%	-0.19%
Convertible Securities Funds	-2.38%	-3.59%	-9.05%	-7.89%	-1.16%	0.22%	4.34%	3.57%
Core Funds	-2.71%	-3.09%	-8.77%	-8.35%	-0.47%	-2.41%	-2.04%	0.32%
Corporate BBB-Rated Debt Funds(Leveraged)	-0.94%	-1.82%	-8.53%	-7.69%	-0.84%	4.83%	6.50%	1.41%
Corporate Debt Funds BBB-Rated	-0.92%	-3.42%	-4.33%	-1.79%	-2.54%	3.92%	5.40%	1.30%
Developed Market Funds	-2.74%	-2.89%	-12.85%	-12.72%	-0.13%	-1.03%	-2.19%	-0.96%
Emerging Markets Funds	0.89%	-0.21%	-12.99%	-12.07%	-0.96%	13.01%	11.41%	-1.41%
Emerging Mrkts Hard Currency Debt Funds	-1.16%	-2.85%	-9.59%	-8.01%	-1.58%	9.24%	15.04%	4.53%
Energy MLP Funds	-4.81%	-5.86%	-4.82%	-4.25%	-0.63%	11.29%	12.58%	1.95%
General & Insured Muni Debt Funds (Leveraged)	-1.94%	-6.33%	-5.27%	-0.79%	-4.47%	0.57%	0.13%	-0.46%
General & Insured Muni Fds (Unleveraged)	-1.52%	-5.57%	-3.15%	1.12%	-4.27%	0.86%	-0.51%	-1.47%
General Bond Funds	-0.11%	-2.35%	-3.56%	-1.59%	-2.59%	3.92%	7.39%	2.26%
Global Funds	-2.82%	-3.28%	-10.97%	-10.39%	-0.59%	-1.95%	1.94%	2.63%
Global Income Funds	-0.87%	-1.90%	-5.99%	-4.98%	-1.02%	3.63%	7.42%	3.48%
Growth Funds	0.07%	-6.96%	-2.98%	-2.83%	-0.60%	3.98%	-12.45%	-3.70%
High Yield Funds	-0.15%	-1.69%	-6.26%	-5.26%	-1.33%	6.22%	7.42%	0.90%
High Yield Funds (Leveraged)	-0.09%	-1.88%	-6.95%	-5.51%	-1.57%	8.73%	10.17%	1.22%
High Yield Municipal Debt Funds	-1.70%	-6.69%	-4.15%	1.00%	-5.15%	0.82%	-0.33%	-1.20%
Income & Preferred Stock Funds	-1.28%	-3.19%	-4.54%	-3.01%	-1.84%	2.26%	5.06%	2.16%
Intermediate Municipal Debt Funds	-1.45%	-4.23%	-4.19%	-1.39%	-2.80%	0.45%	-0.80%	-1.23%
Loan Participation Funds	0.62%	0.05%	-4.28%	-3.92%	-0.44%	6.57%	9.82%	2.58%
Natural Resources Funds	-3.74%	-4.50%	-7.89%	-7.15%	-0.75%	14.30%	18.10%	4.15%
New Jersey Municipal Debt Funds	-1.86%	-4.90%	-4.89%	-1.86%	-3.03%	1.18%	5.00%	3.45%
New York Municipal Debt Funds	-1.89%	-5.47%	-3.42%	0.23%	-3.65%	0.31%	0.72%	0.39%
Options Arbitrage/Opt Strategies Funds	-1.70%	-3.64%	-3.92%	-1.58%	-2.51%	-3.27%	-3.47%	0.10%
Other States Municipal Debt Funds	-1.78%	-4.26%	-3.43%	-0.92%	-2.51%	0.57%	2.98%	2.10%
Pacific Ex Japan Funds	-3.61%	-4.71%	-12.96%	-11.94%	-1.02%	8.18%	8.77%	0.50%
Pennsylvania Municipal Debt Funds	-1.66%	-6.25%	-8.43%	-5.15%	-4.36%	0.56%	3.32%	2.50%
Real Estate Funds	-2.00%	-5.57%	-4.21%	-3.48%	-1.81%	1.36%	3.81%	0.47%
Sector Equity Funds	-4.44%	-4.36%	-3.60%	-3.91%	0.41%	4.10%	8.24%	3.27%
U.S. Mortgage Funds	-0.50%	-2.94%	-5.09%	-4.33%	-2.03%	-0.22%	0.08%	1.40%
Utility Funds	-3.86%	-4.89%	-6.45%	-5.44%	-1.02%	6.12%	8.79%	2.41%
Value Funds	-2.03%	-2.80%	-10.26%	-9.79%	-0.73%	3.30%	5.32%	1.75%

Top 5 Performing CEFs

LIPPER

Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
Engex Inc	Growth Funds		13.2%	1
Latin American Discovery	Emerging Markets Funds	XLDFX	7.2%	2
Aberdeen Latin America	Emerging Markets Funds	XLAQX	7.0%	3
Aberdeen Chile	Emerging Markets Funds	XXCHX	5.8%	4
Guggenheim Energy&Income	Energy MLP Funds	XGEIX	5.5%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds		79.0%	1
Aberdeen Latin America	Emerging Markets Funds	XLAQX	49.7%	2
Latin American Discovery	Emerging Markets Funds	XLDFX	43.5%	3
Tortoise Pipelne & Enrgy	Natural Resources Funds	XTTPX	34.4%	4
Guggenheim Energy&Income	Energy MLP Funds	XGEIX	33.4%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
RENN Fund	Global Funds		17.3%	1
Aberdeen Latin America	Emerging Markets Funds	XLAQX	6.4%	2
Latin American Discovery	Emerging Markets Funds	XLDFX	6.3%	3
J Hancock Finl Opptys	Sector Equity Funds	XBTOX	4.1%	4
Aberdeen Chile	Emerging Markets Funds	XXCHX	3.5%	5

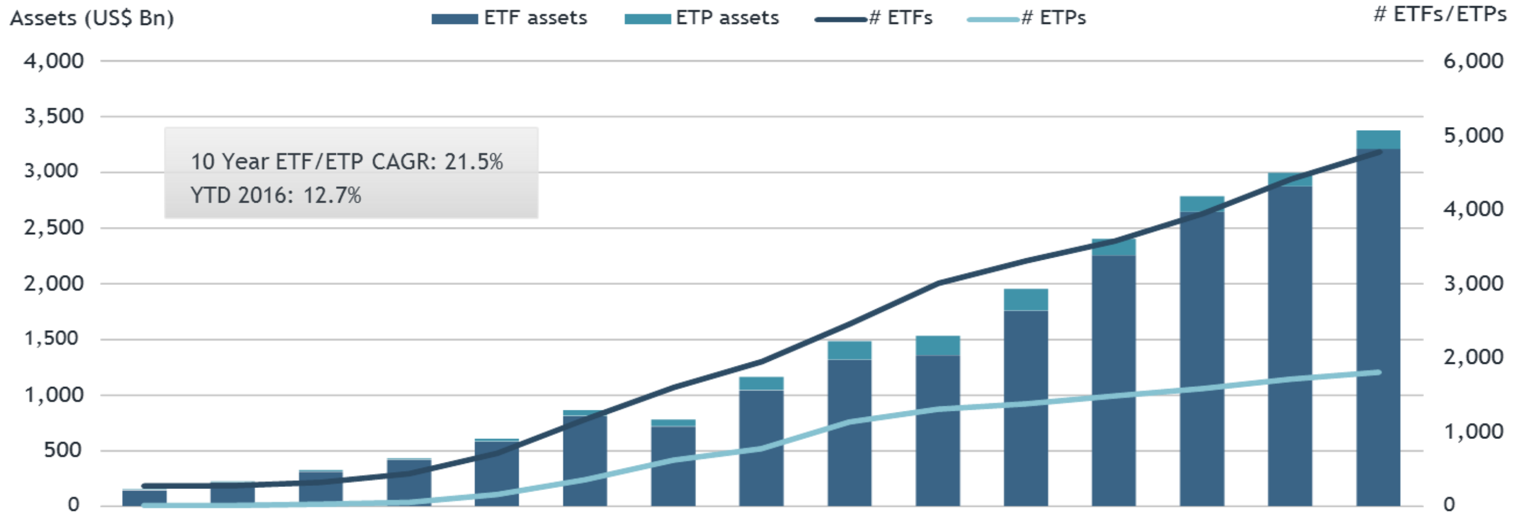
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds		92.5%	1
RENN Fund	Global Funds		65.6%	2
Aberdeen Latin America	Emerging Markets Funds	XLAQX	48.2%	3
Latin American Discovery	Emerging Markets Funds	XLDFX	44.0%	4
Tortoise Pipelne & Enrgy	Natural Resources Funds	XTTPX	40.3%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
RENN Fund	Global Funds		12.0%	1
Salient Midstream & MLP	Energy MLP Funds	XSMMX	5.0%	2
GAMCO NR Gld & Inc Tr	Sector Equity Funds	XGNTX	4.9%	3
Nuveen Engy MLP Tot Rtn	Energy MLP Funds	XJMFX	4.7%	4
RiverNorth Opportunities	Income & Preferred Stock Funds	XRIVX	3.8%	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
RENN Fund	Global Funds		28.7%	1
GAMCO NR Gld & Inc Tr	Sector Equity Funds	XGNTX	17.5%	2
Nuveen Minnesota Mun Inc	Other States Municipal Debt Funds	XMNSX	16.3%	3
Fiduciary/Clay MLP Opp	Energy MLP Funds	XFMOX	15.3%	4
PIMCO Strat Income	Global Income Funds	XRCSX	13.3%	5

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

At the end of October 2016, the Global ETF industry had 4,785 ETFs, with 9,994 listings, assets of US$3,206 Bn, from 254 providers on 63 exchanges. At the end of October 2016, the Global ETF/ETP industry had 6,596 ETFs/ETPs, with 12,480 listings, assets of US$3,374 Bn, from 289 providers on 65 exchanges.



Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Oct-16
# ETFs	284	289	335	451	725	1,184	1,614	1,962	2,471	3,017	3,319	3,584	3,955	4,420	4,785
# ETFs/ETPs	296	304	365	507	888	1,545	2,239	2,741	3,612	4,332	4,705	5,076	5,547	6,141	6,596
ETF assets	142	212	310	417	580	807	716	1,041	1,313	1,355	1,754	2,254	2,643	2,870	3,206
ETF/ETP assets	146	218	319	426	603	857	774	1,158	1,478	1,526	1,949	2,398	2,784	2,993	3,374

Summary for ETFs/ETPs: Global

Assets

- At the end of October 2016, the Global ETF/ETP industry had 6,596 ETFs/ETPs, with 12,480 listings, assets of US$3,374 Bn, from 289 providers on 65 exchanges.
- ETF/ETP assets have decreased by 1.0% from US$3,407,810 Mn in September 2016 to US$3,373,706 Mn in October 2016.
- YTD through end of October 2016, ETF/ETP assets have increased by 12.7% from US$2,993,407 Mn to US$3,373,706 Mn.

Flows

- In October 2016, ETFs/ETPs saw net inflows of US$22,573 Mn. YTD through end of October 2016, ETFs/ETPs saw net inflows of US$265,065 Mn.
- Vanguard gathered the largest net ETF/ETP inflows in October with US$9,110 Mn, followed by iShares with US$7,744 Mn and PowerShares with US$2,524 Mn net inflows.
- iShares gathered the largest net ETF/ETP inflows YTD with US$96,177 Mn, followed by Vanguard with US$72,600 Mn and SPDR ETFs with US$23,678 Mn net inflows.
- DB/x-trackers experienced the largest net ETF/ETP outflows in October with US$2,901 Mn, followed by Daiwa with US$1,205 Mn and CSOP/China Southern with US$778 Mn net outflows.
- WisdomTree experienced the largest net ETF/ETP outflows YTD with US$12,381 Mn, followed by DB/x-trackers with US$11,201 Mn and VelocityShares with US$6,259 Mn net outflows.

Products

- In October 2016, 76 new ETFs/ETPs were launched by 34 providers. Including cross listings, there were 102 new listings from 37 providers on 18 exchanges. 8 ETFs/ETPs closed and there were a total of 10 listings removed from 4 exchanges. YTD through end of October 2016, 722 new ETFs/ETPs have been launched by 136 providers. Including cross listings, there have been 1,315 new listings from 138 providers on 34 exchanges. 267 ETFs/ETPs have closed, with a total of 574 listings removed from 29 exchanges.
- The top 100 ETFs/ETPs, out of 6,596, account for 56.0% of Global ETF/ETP assets. 451 ETFs/ETPs have greater than US$1 Bn in assets, while 4,613 ETFs/ETPs have less than US$100 Mn in assets, 3,950 ETFs/ETPs have less than US$50 Mn in assets and 2,152 ETFs/ETPs have less than US$10 Mn in assets.

Trading Volumes

- ETF/ETP average daily trading volumes decreased by 19.1% from US$88,614 Mn in September 2016 to US$71,719 Mn in October 2016.

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

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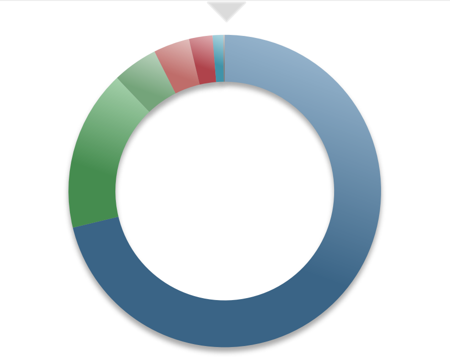
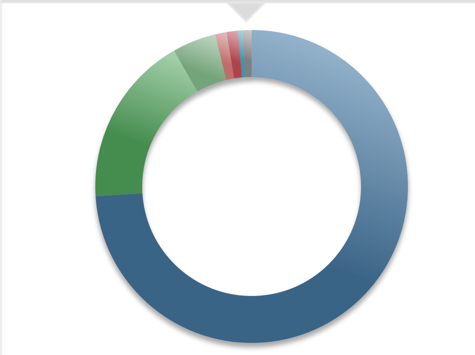
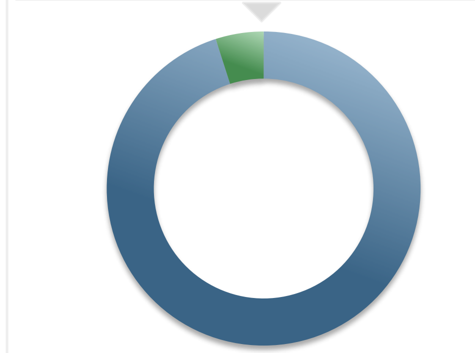
ETF/ETP assets by region listed



ETF/ETP assets by asset class



ETF/ETP assets by product structure



Region	# ETFs/ ETPs	Assets (US$ Bn)	% total
US	1,941	$2,386.5	70.7%
Europe	2,231	$563.8	16.7%
Asia Pacific (ex-Japan)	178	$171.9	5.1%
Japan	964	$130.7	3.9%
Canada	455	$80.9	2.4%
Middle East and Africa	781	$34.5	1.0%
Latin America	46	$5.4	0.2%
Total	**6,596**	**$3,373.7**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	3,635	$2,487.2	73.7%
Fixed Income	941	$601.1	17.8%
Commodities	692	$157.7	4.7%
Active	300	$41.1	1.2%
Leveraged	384	$38.1	1.1%
Inverse	181	$17.1	0.5%
Others	463	$31.4	0.9%
Total	**6,596**	**$3,373.7**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
ETF	4,785	$3,206.2	95.0%
ETP	1,811	$167.5	5.0%
Total	**6,596**	**$3,373.7**	**100.0%**

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

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

Global Year to Date Net New Assets

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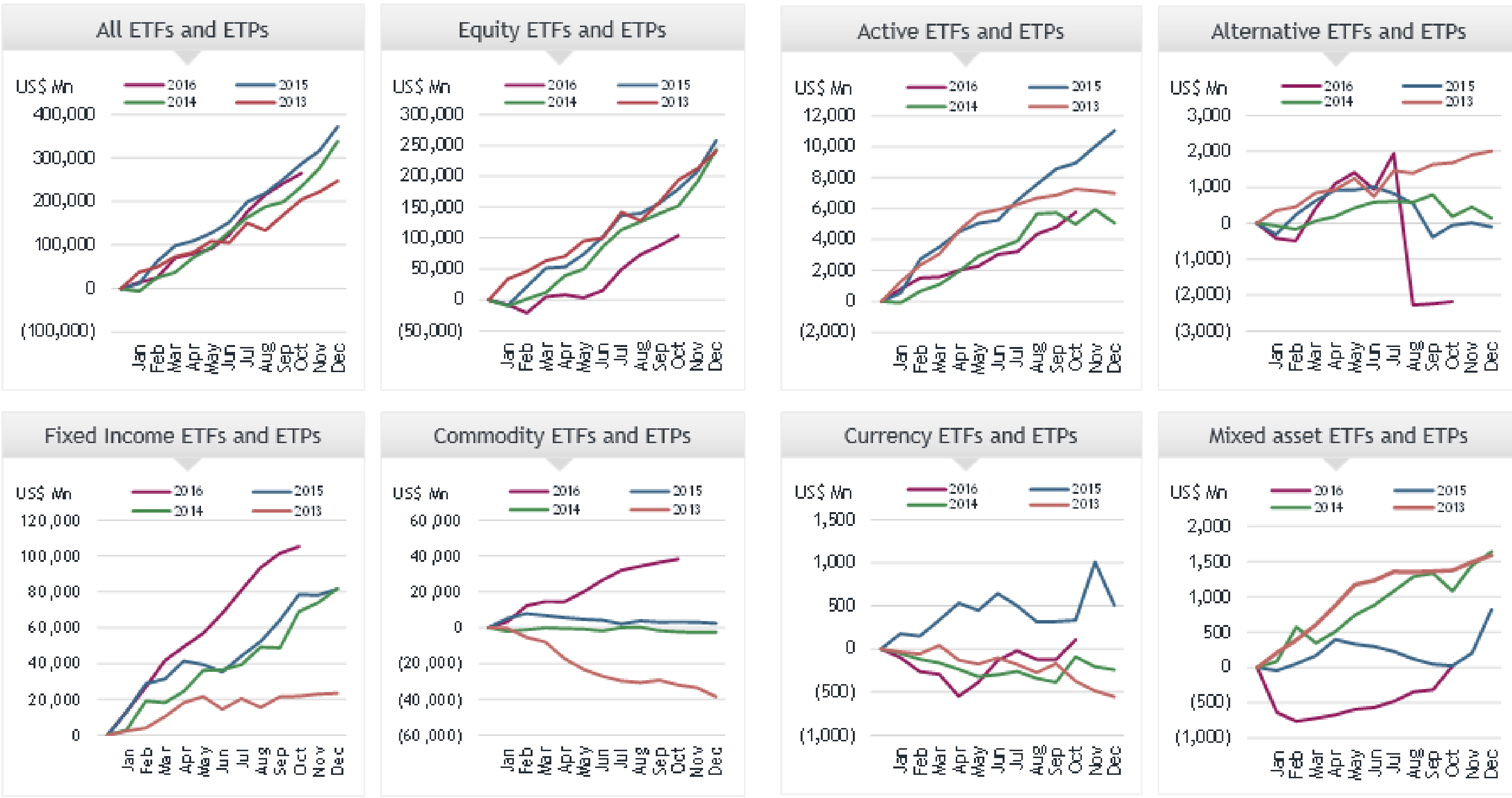
YTD 2016 vs 2015, 2014, 2013 ETF and ETP net new assets by asset class: Global



ETFs and ETPs listed globally gathered net inflows of $22,573 Mn in October. Year to date, net inflows stand at $265,065 Mn. At this point last year there were net inflows of $287,101 Mn.

Equity ETFs/ETPs saw net inflows of $16,337 Mn in October, bringing year to date net inflows to $103,889 Mn, which is less than the net inflows of $179,217 Mn over the same period last year.

Fixed income ETFs and ETPs experienced net inflows of $3,590 Mn in October, growing year to date net inflows to $105,201 Mn, which is greater than the same period last year which saw net inflows of $78,484 Mn.

Commodity ETFs/ETPs accumulated net inflows of $1,820 Mn in October. Year to date, net inflows are at $38,293 Mn, compared to net inflows of $3,194 Mn over the same period last year.

Actively managed products saw net inflows of $949 Mn in October, bringing year to date net inflows to $5,753 Mn, which is less than the net inflows of $8,944 Mn over the same period last year.

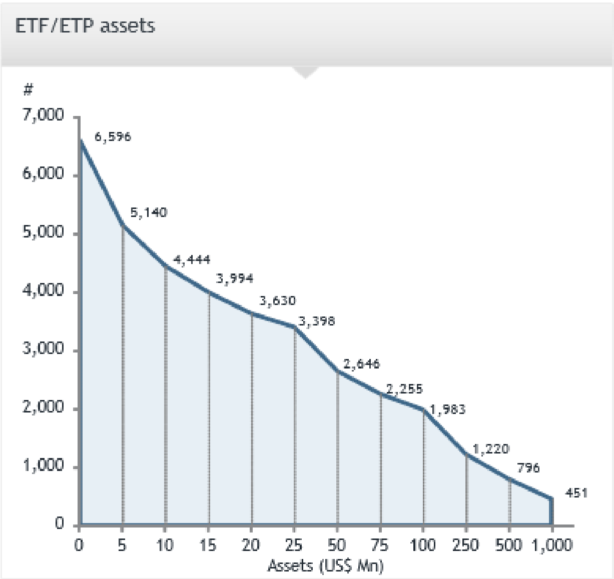
Products tracking alternative indices experienced net inflows of $61 Mn in October, reducing year to date net outflows to $2,184 Mn, which is less than the same period last year which saw net outflows of $54 Mn.

Currency products accumulated net inflows of $226 Mn in October. Year to date, net inflows are at $104 Mn, compared to net inflows of $333 Mn over the same period last year.

Products holding more than one asset class saw net inflows of $335 Mn in October, bringing year to date net inflows to $18 Mn, which is less than the net inflows of $26 Mn over the same period last year.

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

Distribution of ETFs/ETPs by size



Assets greater than (US$ Mn)	# ETFs/ ETPs	% total	Total assets (US$ Bn)	% total
0	6,596	100.0%	3,367	100.0%
5	5,140	77.9%	3,364	99.9%
10	4,444	67.4%	3,359	99.8%
15	3,994	60.6%	3,354	99.6%
20	3,630	55.0%	3,347	99.4%
25	3,398	51.5%	3,342	99.3%
50	2,646	40.1%	3,316	98.5%
75	2,255	34.2%	3,292	97.8%
100	1,983	30.1%	3,268	97.1%
250	1,220	18.5%	3,146	93.4%
500	796	12.1%	2,994	88.9%
1,000	451	6.8%	2,749	81.7%

451 ETFs/ETPs have greater than US$1 Bn in assets, while 1,983 have greater than US$100 Mn in assets and 2,646 have greater than US$50 Mn in assets. The 451 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,749 Bn, or 81.7%, of Global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) Oct-16	NNA (US$ Mn) Oct-16	NNA (US$ Mn) YTD 2016
S&P 500 Index	387,819	4,508	25,780
Nikkei 225 Index	83,085	(27)	15,153
MSCI EAFE Index	71,137	(405)	(6,191)
TOPIX Index	65,816	(170)	11,142
CRSP US Total Market Index	63,789	402	3,353
S&P Mid Cap 400 Index	46,830	(8)	1,025
NASDAQ 100 Index	45,502	2,030	(3,418)
MSCI US REIT Index	32,298	(491)	3,934
Russell 1000 Value Index	31,581	328	2,238
Russell 1000 Growth Index	30,655	168	(1,998)
Russell 2000 Index	28,764	(552)	(1,008)
MSCI Japan Index	26,704	95	(8,951)
MSCI World Index	23,330	191	2,344
CRSP US Large Cap Value Index	23,145	401	3,008
NASDAQ Dividend Achievers Select Index	21,813	2	1,375
CRSP US Large Cap Growth Index	21,670	330	421
S&P US 600 Small Cap Index	21,000	500	2,502
DAX Index	18,279	(15)	(3,745)
S&P Preferred Stock Index	17,939	414	3,623
Dow Jones US Select Dividend Index	16,620	146	1,338

Top 20 by monthly net inflows

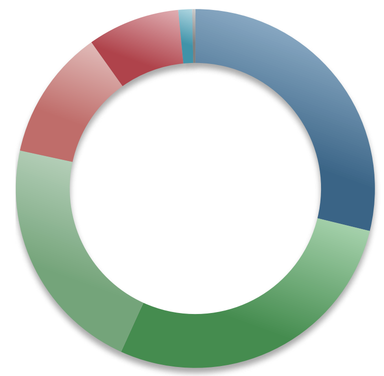
Name	Assets (US$ Mn) Oct-16	NNA (US$ Mn) Oct-16	NNA (US$ Mn) YTD 2016
S&P 500 Index	387,819	4,508	25,780
NASDAQ 100 Index	45,502	2,030	(3,418)
MSCI EAFE IMI Index USD	13,647	985	4,143
S&P Energy Select Sector Index	15,353	753	1,815
S&P Financial Select Sector Index	13,371	747	(3,543)
S&P 1500 Index	5,240	623	1,831
S&P US 600 Small Cap Index	21,000	500	2,502
S&P 500 Growth Index	15,811	415	(79)
S&P Preferred Stock Index	17,939	414	3,623
CRSP US Total Market Index	63,789	402	3,353
CRSP US Large Cap Value Index	23,145	401	3,008
TSE REIT Index	5,133	373	1,667
CRSP US Small Cap Growth Index	4,998	367	486
CRSP US Mid Cap Index	15,216	352	1,414
S&P/TSX 60 Index	9,467	342	(517)
CRSP US Small Cap Value Index	8,338	336	2,106
CRSP US Large Cap Growth Index	21,670	330	421
Russell 1000 Value Index	31,581	328	2,238
Alerian MLP Infrastructure Index	11,251	322	1,505
S&P Industrial Select Sector Index	7,556	320	1,042

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

Year to Date ETF / ETP Product Launches

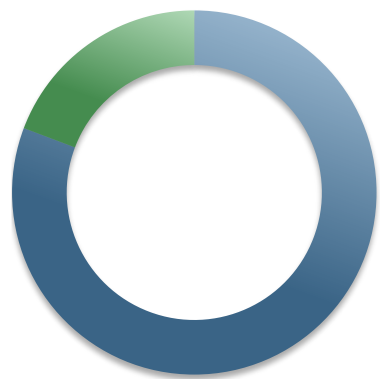
YTD ETF/ETP product launches

ETFs/ETPs by region listed



ETFs/ETPs by asset class

ETFs/ETPs by product structure



Region	# ETFs/ETPs	% total
US	208	28.8%
Asia Pacific (ex-Japan)	202	28.0%
Europe	156	21.6%
Canada	85	11.8%
Middle East and Africa	60	8.3%
Japan	9	1.2%
Latin America	2	0.3%
Total	**722**	**100.0%**

Asset class	# ETFs/ETPs	% total
Equity	417	57.8%
Fixed income	98	13.6%
Active	76	10.5%
Leveraged	39	5.4%
Commodities	30	4.2%
Inverse	28	3.9%
Others	34	4.7%
Total	**722**	**100.0%**

Structure	# ETFs/ETPs	% total
ETF	583	80.7%
ETP	139	19.3%
Total	**722**	**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 Preferred Shares of Nuveen Closed-End Fund]** – October 19
- **[Fitch Rates TPS Shares Issued by Nuveen Closed-End Fund]** – October 31
- **[Fitch Takes Various Rating Actions on Nuveen Muni CEF Preferred Shares on Reorganization]** – November 7
- **[Fitch Rates Term Preferred Shares to be Issued by Nuveen Closed-End Funds]** – November 10
- **[Fitch Rates Preferred Shares of Nuveen Closed-End Fund]** – November 10
- **[Fitch Places 3 Nuveen Funds' VRDP Shares' S-T Rtgs on Negative Watch on Liquidity Provider Action]** – November 11
- **[Fitch Withdraws 3 Nuveen Funds' VRDP Shares' S-T Ratings]** – November 17
- **[Fitch Affirms and Withdraws Ratings of Preferred Shares Issued by Two Eaton Vance CEFs]** – November 17

Market Videos

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Brian O'Connell of TheStreet: *ETF Outlook: Winners and Losers In a Trump Presidency*

November 1, 2016
Boris Schlossberg of BK Asset Management: *Look abroad for 'the trade of 2017': Strategist*

Unexpected Returns

November 3, 2016

Authored by:
Jeff Margolin
Senior Vice President, CEF Analyst
First Trust Advisors

Third Quarter Overview

The third quarter was another solid period for diversified closed-end fund ("CEF") investors. The average CEF was up 2.37% for the quarter and is now up 13.01% year-to-date. Equity CEFs were positive on average by 3.79%, taxable fixed-income CEFs were up on average 5.04%; municipal CEFs, on the other hand, were lower on average by -0.84% for the quarter. (Source: Morningstar. All data is share price total return data). As I mentioned last quarter, after grinding through a challenging 2015 (particularly the back half of the year), diversified CEF investors have been rewarded with very strong total returns year-to-date (YTD). Many of the factors which benefited several categories of the CEF marketplace the first half of 2016 were also present during the third quarter including: higher equity prices (particularly U.S. equities), continued "Plow Horse" (as our Economics Team phrases it) economic growth in the U.S. economy (which helps to create a positive backdrop for many credit-sensitive CEFs), and high distributions and attractive discounts to net asset values (NAVs). This was particularly true for equity and credit-sensitive categories, which also helped to attract buyers to the secondary market during the quarter.

According to Morningstar, average discounts to NAVs narrowed slightly during the quarter to -4.42%. They ended the second quarter with an average discount of -4.65%, which was down from -5.83% at the end of the first quarter and -7.86% from the start of the year. As average discounts to NAV continue their narrowing process closer to their long-term average, we believe it is important to focus on categories where valuations still remain attractive and also where the fundamentals and valuations of the underlying asset class also remain attractive. This is precisely the reason I continue to favor equity income, senior loan and limited duration multi-sector taxable fixed-income funds. (More on that below).

Senior Loan CEFs Finally Getting the Respect They Deserve

For much of 2015, senior loan CEFs seemed like the "Rodney Dangerfield" of the CEF marketplace. They just couldn't get any "respect" from investors. Despite very sound fundamentals (i.e. defaults well below historical averages), attractive valuations (i.e. on average loans at discounts to par and senior loan CEFs at high single-digit average discounts to NAV), distribution yields in the mid- to high-single digits and very low duration risk, investors did not seem interested in these very positive attributes. The tide has clearly turned in 2016 as senior loan CEFs are now one of the top-performing CEF categories YTD and investors are clearly starting to recognize these positive characteristics.

After rising on average 8.24% during the third quarter, the average senior loan CEF is now up 16.39% YTD and up 14.43% over the past one year. (Morningstar, on a share price total return basis). After double-digit total returns so far in 2016, a question I am now receiving from investors is "Do I still like senior loan CEFs going forward?" My answer is "Yes!" In addition to the attractive fundamentals and valuations mentioned above, I believe there are still two more additional key catalysts which could propel senior loan CEFs next year.

With LIBOR (London Interbank Offered Rate) moving higher this year, coupled with the likelihood the Federal Reserve ("Fed") will raise the federal funds rate in December, it's possible senior loan CEFs could be poised to slowly increase distributions later next year. Now to be clear, this might not occur until the second half of 2017 as it might require one more additional increase in the fed funds rate during the first half of 2017 for the income senior loans pay to begin to meaningfully reset higher, but nevertheless, this could be a positive catalyst next year. One final catalyst which could boost senior loan CEFs, in my opinion, is the potential for a significant amount of money to rotate out of long maturity bonds (many of which are at significant premiums to par) and move into the senior loan asset class. I would expect this to happen if the Fed signals it intends to continue to raise rates in 2017, long-term rates slowly creep higher and investors seek to reduce duration risk in their fixed-income portfolios.

Outlook for Remainder of 2016 and 2017

As the fourth quarter commences, the backdrop for categories I have favored this year (particularly equity income, senior loan and limited duration multi-sector) continue to look attractive to me. As mentioned previously, with our Economics Team continuing to forecast more "Plow-Horse" U.S. economic growth, higher domestic equity prices and a slow but gradual move higher for both short- and long-term interest rates, I continue to favor equity income-oriented CEFs, senior loan CEFs and limited duration multi-sector CEFs, which not only have attractive valuations and strong fundamentals, but should also benefit from the macro environment our Economic and Equity strategists are forecasting.

As mentioned in the senior loan CEF discussion above, LIBOR has moved higher this year and with the Fed poised to raise the federal funds rate in December, it is likely LIBOR will continue to move higher into next year. This directly impacts leveraged CEFs, many of which have their borrowing cost tied to LIBOR. I am particularly concerned about the negative impact higher LIBOR, and therefore higher borrowing cost, will have on levered fixed-income CEFs that are invested in fixed-coupon bonds such as municipal CEFs. As LIBOR and borrowing cost move higher, the coupons on the bonds they own are fixed and cannot reset higher to keep up with higher borrowing cost. This is much less of a concern with a floating-rate asset class, such as senior loans, as higher LIBOR will eventually lead to higher income among the floating-rate senior loans whose reset is also tied to LIBOR (therefore making up for the increase in borrowing cost).

In addition to the significant duration risk levered municipal CEFs have, given the uptick in LIBOR, I believe many levered municipal CEFs are at risk of distribution cuts in the 5%-10% percent range over the next several months. For investors looking for exposure to the municipal bond asset class, I still favor non-levered municipal CEFs, which have slightly less duration risk and are also less impacted by the increase in LIBOR and borrowing cost.

Lastly, during this time of year, I always get inquiries related to what my views are as it relates to tax-loss selling season in CEFs, which is usually at its peak in late November and December. Given the fact the average CEF is up 13.01% YTD and that the gains were broad and included most categories of the CEF marketplace, I am not expecting a particularly rough season of tax-loss selling during this year's fourth quarter.

Click here for complete reading

Precious Metals Monitor --- October 2016

November 4, 2016

Authored by:
Maxwell Gold
Director – Investment Strategy
ETF Securities

Hawkish rhetoric and rate expectations drove sell off in precious metals

As year end approaches, market expectations for a December US Federal Reserve (Fed) interest rate hike are rising. As of October 31st, futures markets are implying a 71% probability for a December interest rate increase. Historically, the threat of rate hikes has pushed up the US dollar consequently weighting on commodities prices - particularly gold which has a strong negative correlation to the dollar. This time around appears no different. Gold's performance since September has been weak and is likely to continue to be volatile until December 14th when the Fed announces its rate decision at its Federal Open Market Committee (FOMC) meeting. It is likely overdue for the Fed to continue to raise rates, however it is becoming increasingly evident that the central bank is pursuing a negative real interest rate policy in order to stimulate employment and inflation. Historically expectations of a rate hike drive support for the US dollar which is generally negative for precious metals. Once a rate hike has occurred, however, this trend typically reverses. A similar path may play out this December, with precious metals – in particular gold - finding support from continued negative real interest rates, episodic market volatility and continued political uncertainty leading up to and following the US presidential election.

Strong demand in physical markets remains

Precious metals' pullback in the first two weeks of October was exacerbated by the absence of the Chinese market due to its week-long national holiday (the suitably named "Golden Week"). During this time gold and futures markets were closed and local Chinese premiums above gold spot price averaged $56/ounce, peaking at $73/ounce on October 6th. This rise in local premiums highlights the underlying strength of demand in China's physical metals market which should continue to support gold's fundamentals. India is another key gold market that has seen a strengthening in physical demand in Q4. A strong monsoon season, festivals like Diwali, and pent up demand from a jewelry strike in Q1 has seen a rise in demand for physical metals. Local gold price discounts peaked on July 6th at $76/ounce, but contracted dramatically averaging $7/ounce in October (see Page 2). This reflects growing demand for gold in a market that is traditionally price sensitive. Additionally reports highlight growing jewelry demand for platinum as consumer preferences shift and fabricators seek to differentiate their inventories. Overall, despite the pullback in prices strong physical demand should help buffer further price volatility.

Key Drivers

• Gold prices dipped in October (-2.9%) to $1277.2/ounce as investors began repositioning for an anticipated interest rate increase by the Federal Reserve by year end.

• Daily volume in gold front month contracts averaged $22.9 billion for the month with a peak of $48.4 billion on October 4th, where the gold price fell 3.4% to $1268/ounce on the day.

• Gold fell 4.5% in the first week of October, amid hawkish rhetoric from Federal Reserve members and an absent Chinese market, due to its week long national holiday. Following the pullback, gold rebounded 1.4% as strategic buying amongst investors was triggered by a lower entry point.

Investment flows

• Global physically backed gold exchange traded funds (ETFs) saw net inflows continue in October totalling 8.7 metric tonnes (t) despite a price drop as investor bargain buying spurred higher gold holdings.

• Cumulative gold holdings in ETFs rose 0.4% in October to a total of 2,041t, the highest level since June 2013.

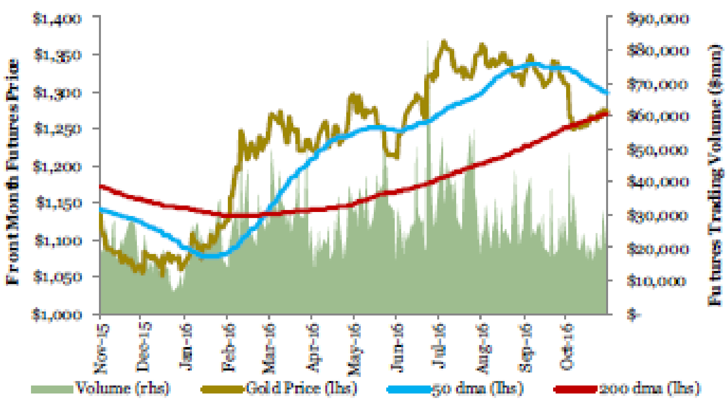
Precious metals	Spot Price	September	QTD	YTD	1 Year	3 Year	5 Year
Gold ($/ounce)	1,277.2	-2.9%	-2.9%	20.4%	11.8%	-1.0%	-6.0%
Silver ($/ounce)	17.9	-6.6%	-6.6%	29.3%	15.2%	-6.5%	-12.2%
Platinum ($/ounce)	981.9	-4.4%	-4.4%	10.1%	-0.3%	-12.3%	-9.3%
Palladium ($/ounce)	621.5	-13.8%	-13.8%	10.4%	-8.2%	-5.7%	-0.9%
Key Market Indices	*Index Level*	*September*	*QTD*	*YTD*	*1 Year*	*3 Year*	*5 Year*
ETFS Precious Metals Basket Index	3,361.1	-5.3%	-5.3%	21.1%	9.5%	-3.9%	-8.2%
Bloomberg Commodity Index	84.9	-0.5%	-0.5%	8.3%	-2.6%	-11.7%	-10.4%
S&P 500 Index	2,126.2	-1.8%	-1.8%	5.9%	4.5%	8.7%	13.8%
MSCI Emerging Market Index	905.1	0.2%	0.2%	16.3%	9.3%	-1.8%	0.9%
Barclays US Aggregate Bond Index	2,021.40	-0.8%	-0.8%	5.0%	4.4%	3.6%	2.8%
US Dollar Index	98.4	3.1%	3.1%	-0.2%	1.5%	6.8%	5.0%
Euro/US Dollar	1.10	-2.3%	-2.3%	1.1%	-0.2%	-6.6%	-4.4%
US Dollar/Japanese Yen	104.8	3.4%	3.4%	-12.8%	-13.1%	2.0%	6.1%
HFRX Global Hedge Fund Index	1,183.9	-0.5%	-0.5%	0.8%	-1.2%	-0.8%	1.1%

*See disclosures for further index definitions and details. 3 year/ 5 year returns are on an annualized basis. QTD = quarter to date, YTD = year to date

Overall, gold ETF demand increased but at a slower rate amid some trading days of large outflows for certain funds.

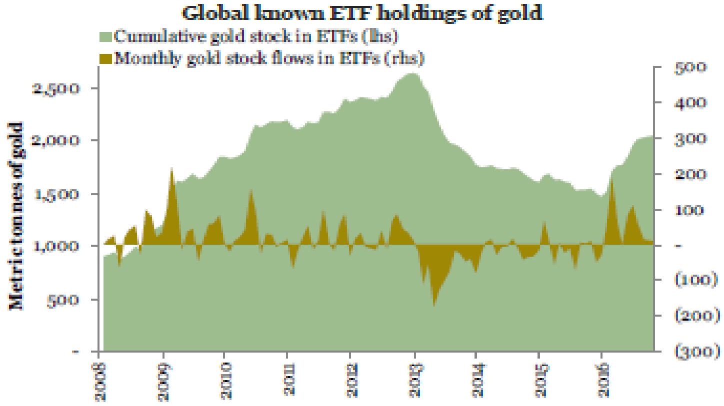
• Year to date, the gold stock has risen 40% as investors have added 579t of gold through ETFs for the 6th consecutive month and largest annual inflow since 2009 with net inflows of 652t.

Gold futures price, daily moving average (dma), and volume



Source: Bloomberg, ETF Securities. Chart data from 10/31/15 to10/31/16.

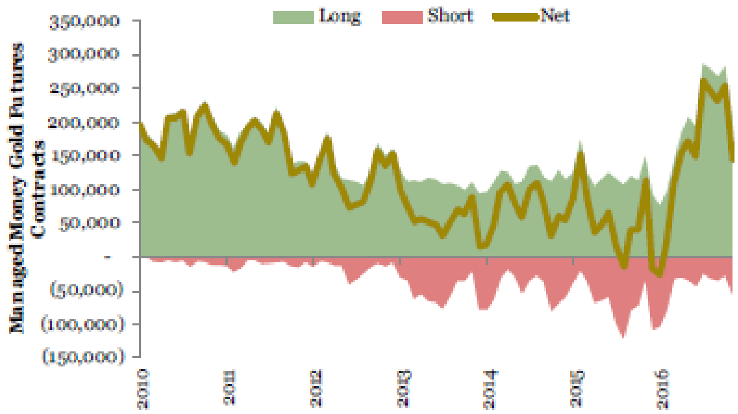
Global known ETF holdings of gold



Source: Bloomberg, ETF Securities. Chart data from 1/1/08 to 10/31/16.

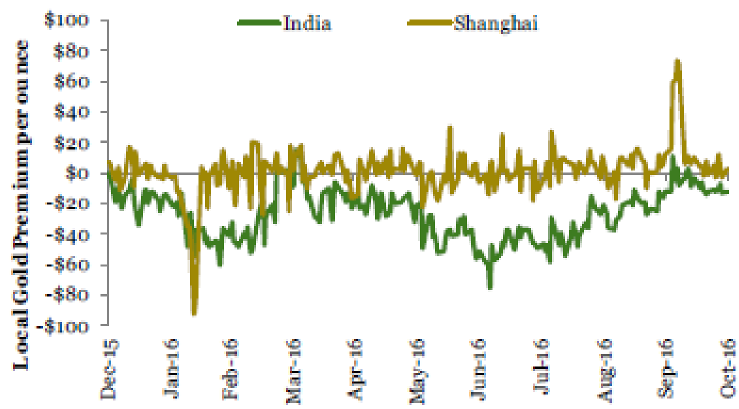
global economic or political uncertainty quicker than gold mining equities. Unlike gold, historically gold miners have served as ineffective hedges against tail event risk and large market drawdowns.

Speculative positioning in gold futures by investors



Source: Bloomberg, CFTC, ETF Securities. Chart data from 1/1/10 to 10/31/16.

Local gold price premia in key physical markets



Source: Bloomberg, ETF Securities. Chart data from 12/31/15 to 10/31/16.

Sentiment & Positioning

• Net positioning in gold futures contracts saw a drastic contraction in October with 143,910 contracts down from 255,177 in September, a 43% reduction in net institutional investor sentiment.

• Long positions in gold fell to 199,094 contracts, the first time since May 2016 they've dipped below 200,000, and a 30% drop from the year to date high of 285,895 in June.

• Short positions in gold more than doubled to 55,184 contracts in October from 26,974 contracts in the month prior as investors began to hedge potential monetary policy action. These short positions, however, still remain well below the 103,272 level seen at the start of 2016.

Outlook

• Investment demand for gold will likely remain volatile ahead of the US election and FOMC December meeting. Demand from physical markets like China and India continue to see strong seasonal demand as reflected in rising local premiums in both markets. Jewelry and retail bar & coin demand are likely to support gold as festival and holiday buying continues.

• Heading into 2017, gold will likely reflect further deterioration in

Key Drivers

• Silver sold off in October (-6.6%) to $17.9/ounce underperforming gold for the month. This brought its year to date performance to 29.3% and remains the top performing precious metal in 2016.

• Volumes in futures trading in silver were in line with last month, averaging $5.5 billion in October. Similar to gold, silver saw a surge in trading activity on October 4th, following hawkish commentary from Fed board members.

• The gold/silver ratio rose in October to 71.1 from 68.2 in the prior month, after reaching a 2 year low of 66.5 in July. The ratio remains down 7.2% year to date.

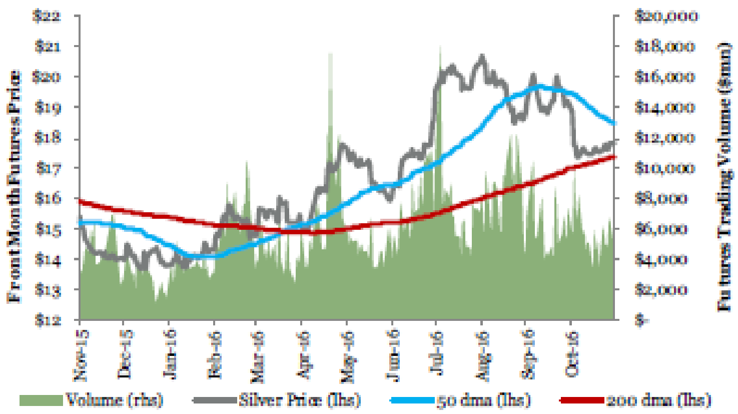
Investment Flows

• Global physically backed silver ETFs saw net inflows continue in October totalling 26 metric tonnes (t), down from 193 tonnes last month, the weakest inflow so far in 2016.

• Cumulative silver holdings in ETFs were flat, rising 0.1% in October to a total of 20,950t, an all-time high as investors continue to seek silver against episodic volatility.

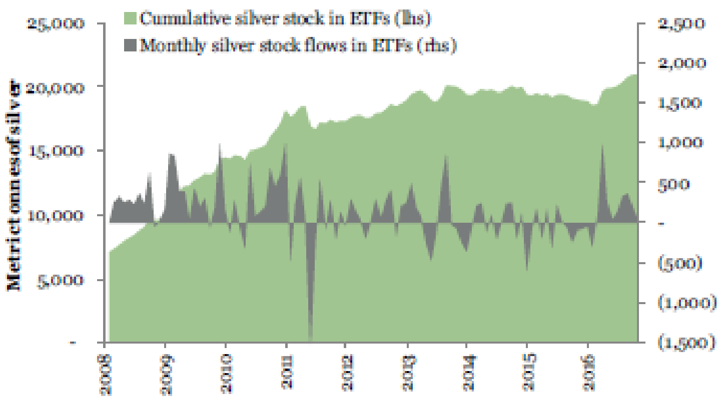
• Year to date, silver stock has risen 12% for a total of 2,093t of added silver through ETFs. October marks the 9th consecutive month of ETF inflows to silver with January 2016 remaining the only month this year with net outflows.

Silver futures price, daily moving average (dma), and volume



Source: Bloomberg, ETF Securities. Chart data from 10/31/15 to 10/31/16.

Global known ETF holdings of silver



Source: Bloomberg, ETF Securities. Chart data from 1/1/08 to 10/31/16.

Sentiment & Positioning

• Net positioning in silver futures decreased in October to 38,401 from 76,691 contracts the month prior. Sentiment for silver still remains strong among futures trading which has shifted from net short in August 2015 to elevated net long levels today.

• Long positions in silver contracted to 65,956 this month from 97,185 contracts last month (a 32% reduction) as silver followed suit with the broad commodity complex against a rising dollar.

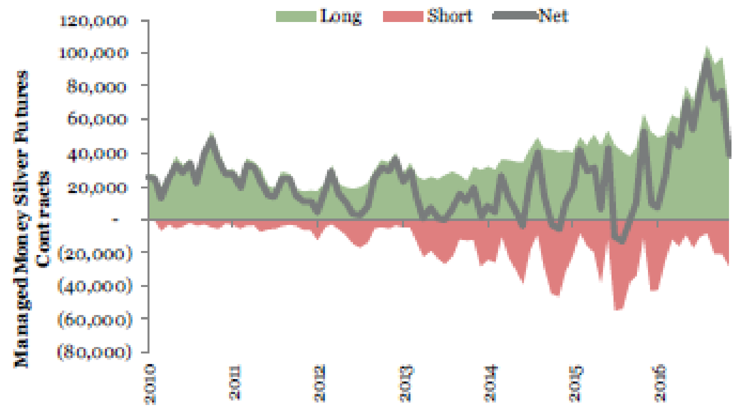
• Investors increased their short positions in silver as short contracts jumped to 27,555 contracts in October from 20,494 contracts in September.

Outlook

• October sales in US Mint American Eagle silver bullion coins more than doubled to 3.8 million ounces from the prior month. This was the highest sales since June 2016 as retail investors were spurred by the drop in silver's price.

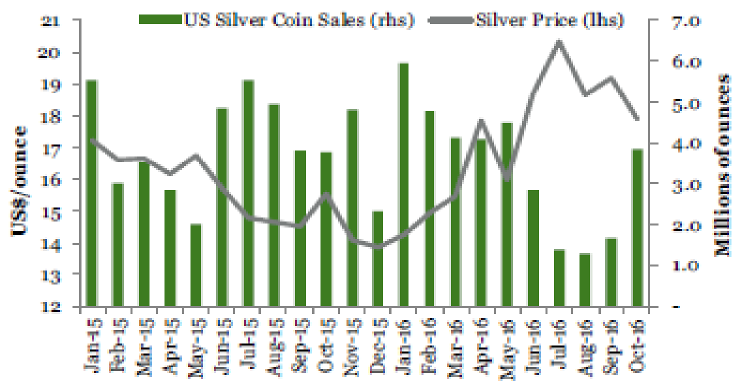
• While gold operates like a currency, silver behaves more like a 'normal' commodity, responding to changes in supply and demand. Increasing industrial demand against a global economic recovery combined with slowing mine production due to reduced capital expenditures should be a tailwind for silver. Silver may have further potential upside and may trade between $22 and $24/ounce in 2017, based on key drivers.

Speculative positioning in silver futures by investors



Source: Bloomberg, CFTC, ETF Securities. Chart data from 1/1/10 to 10/31/16.

US Mint total sales of silver bullion coins



Source: Bloomberg, ETF Securities. Chart data from 12/31/15 to 10/31/16.

Key Drivers

• Platinum continued its downtrend in October, falling to $981.9/ounce for the month of October from $1027.4/ounce at the close of September.

• Platinum fell 16% since its August peak to a 10-month low in October. Volume in platinum front month futures contracts fell in October averaging $690 million.

• The threat of a massive strike in South African mines has likely been removed as a deal between producers and mine workers was struck toward the end of the month. However this likely won't slow platinum's supply deficit this year marking the fifth consecutive year of deficits.

Investment Flows

• Global physically backed platinum ETFs saw net inflows in October of 2.5 metric tonnes (t) for the first time since April 2016 as ETF investors sought to take a contrarian view in light of platinum's continued drop in price.

• Cumulative platinum holdings in ETFs ended October with a total of 72.8t, up 3% from the prior month as fundamentals continue to drive the focus for retail platinum investors.

• In 2016, platinum stock has fallen 2% with year to date outflows of 1.6 tonnes despite positive performance of 10.1% year to date.

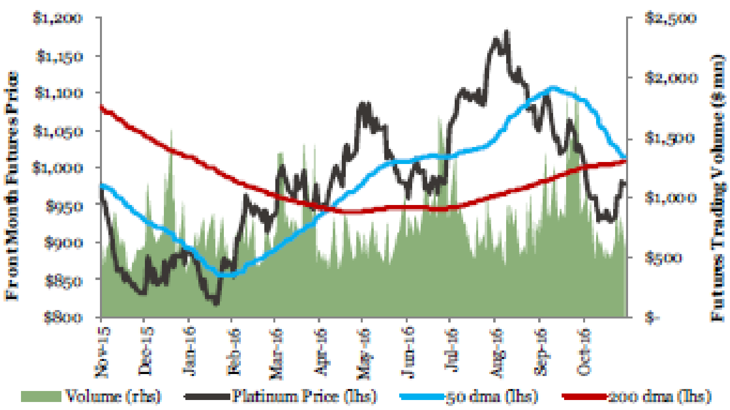
Sentiment & Positioning

• Net positioning in platinum futures pulled back dramatically in October to 4,828 contracts from 21,179 contracts the month prior. Net sentiment still remains positive, but currently stands at levels last seen in 2015.

• Long positions in platinum fell slightly by 11% to 27,808 contracts in October from 31,325 contracts in September, reverting to long positioning levels in line with Q1 2016.

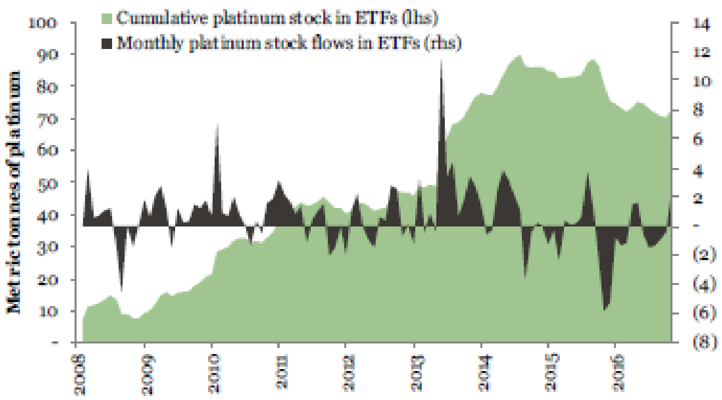
• Investors extended their short positions to 10,146 in October, the highest short positioning since November 2015. Overall the increase in short positioning has driven sentiment and outweighed reductions in long positions.

Platinum futures price, daily moving average (dma), and volume



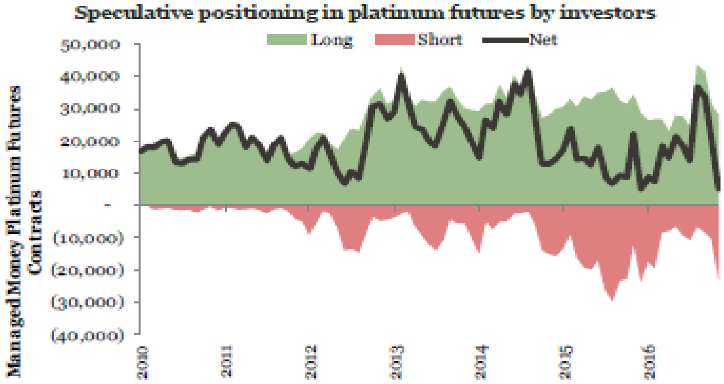
Source: Bloomberg, ETF Securities. Chart data from 10/31/15 to 10/31/16.

Global known ETF holdings of platinum



Source: Bloomberg, ETF Securities. Chart data from 1/1/08 to 10/31/16.

Speculative positioning in platinum futures by investors



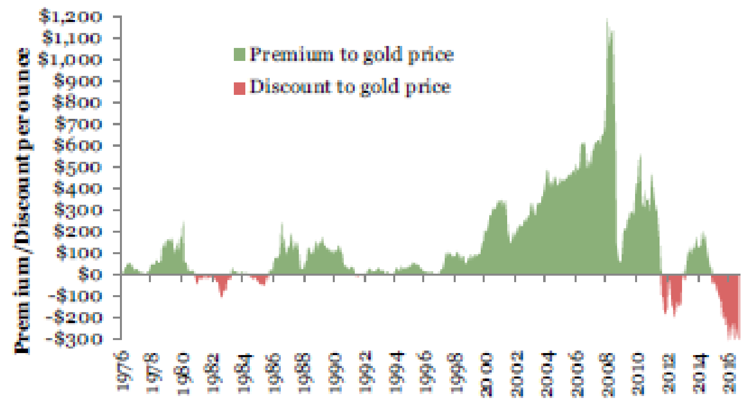
Source: Bloomberg, CFTC, ETF Securities. Chart data from 1/1/10 to 10/31/16.

Outlook

• Platinum's discount relative to gold extended further in October to just over $300 per ounce. Platinum continues to trade at its highest ever discount to gold in 2016 and is only the 4th period in the last four decades a discount has persisted.

• Platinum could gain momentum as supply continues to tighten. European and Chinese consumers remain the core drivers of demand. Rising incomes and a growing middle class in China along with tighter emission standards and strong auto sales in Europe may add further support to platinum demand.

Historic platinum price premium/discount to gold price



Source: Bloomberg, WPIC, ETF Securities. Chart data from 1/1/76 to 10/31/16.

Key Drivers

• While palladium was the stand out performer of the precious metals complex in September, it was the laggard in October as the price fell to $621.5/ounce this month, down from $720.7/ounce at September's close.

• Volume in palladium front month futures contracts averaged $271 million in October which was an increase from the average volume of $208 million in the month prior.

• Palladium has benefited in 2016 from continued demand from China, whose palladium imports increased 8% in September versus the month prior.

Investment Flows

• Global physically backed palladium ETFs saw net outflows continue in October of 0.8 metric tonnes (t) for the 4th consecutive month.

• Cumulative palladium holdings in ETFs fell 1% in October bringing total ETF stock to 63t versus 63t in September.

• Year to date, palladium stock has fallen 14% (with 10t in net redemptions). ETF flows still have not participated in the strong price rally in palladium in the second half of this year, as they remain a small source of annual palladium demand.

Sentiment & Positioning

• Investor sentiment in palladium remains elevated despite net positioning in palladium futures pulling back in October to 8,354 contracts from 13,769 contracts in September.

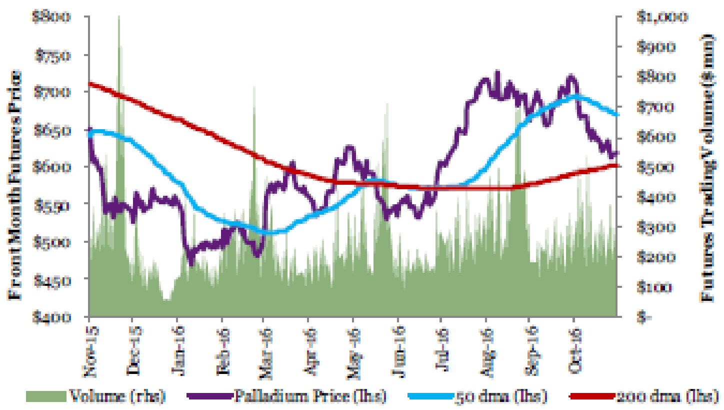
• Managed money investors reduced their long positions in palladium this month to 11,266 contracts, in line with positioning last seen in May of this year. Reduction in longs was the driver of reduced net positioning.

• Short positioning in palladium rose slightly this month to 2,912 from 2,644 in September. Overall, palladium did not witness the same extension of short positioning by investors as did its precious metals peers in October.

Outlook

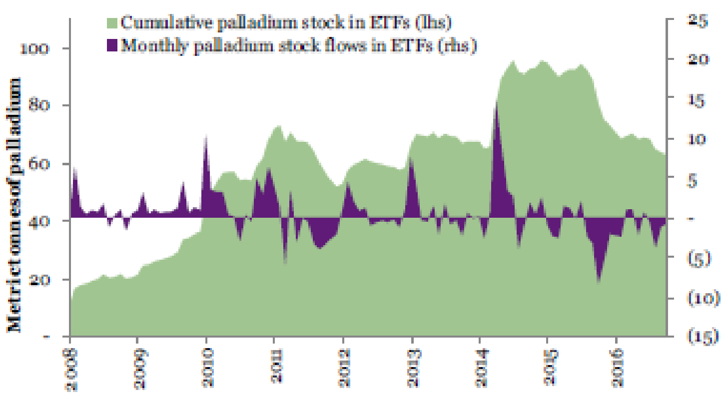
- Chinese auto sales increased 6% in September year over year which should continue to serve as a boon for palladium demand as it is a key component of catalytic converters for gasoline engines, used primarily in the US and China.
- Recovery in base metals has helped palladium in recent months and may begin to stabilize the market. Palladium, like platinum, has been in a supply deficit for the past four years and another deficit may be on track in 2016. Given the recent pullback and lack of investor interest in palladium this year, constructive fundamentals may spur fresh inflows.

Palladium futures price, daily moving average (dma), and volume



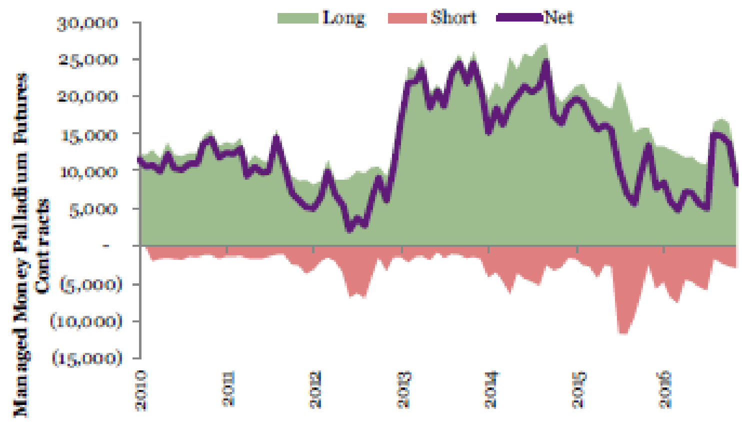
Source: Bloomberg, ETF Securities. Chart data from 10/31/15 to 10/31/16.

Global known ETF holdings of palladium



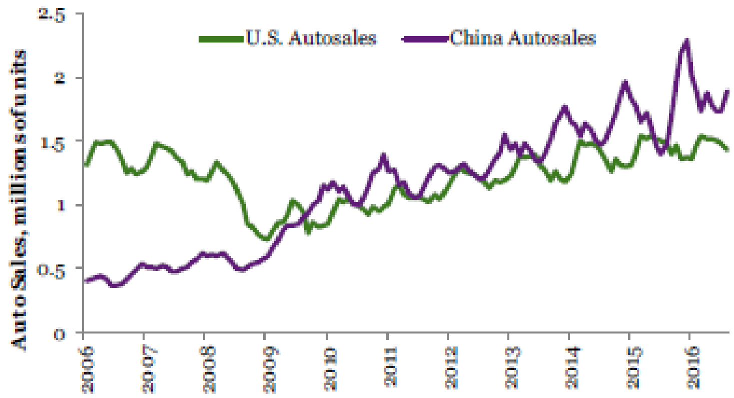
Source: Bloomberg, ETF Securities. Chart data from 1/1/08 to 10/31/16.

Speculative positioning in palladium futures by investors



Source: Bloomberg, CFTC, ETF Securities. Chart data from 1/1/10 to 10/31/16.

Light vehicle sales in US and China



Source: Bloomberg, ETF Securities. Chart data from 10/31/05 to 10/31/16

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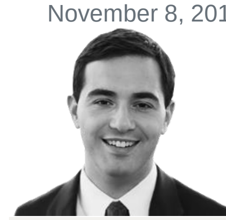
October ETF Flows: Despite the Red October, ETFs Flows See Green

November 8, 2016



Authored by:
David B. Mazza
Head of ETF and Mutual Fund Research
State Street Global Advisors

The hunt for Red October has ended. Last month's market performance left nine out of the 11 US GICS sectors in the red.1 This led the S&P 500® Index to post its worst monthly performance since January and the Dow Jones Industrial Average to notch its third consecutive monthly decline—its longest losing streak since 2011.2 Bonds didn't fare much better as inflationary pressures and the prospects of higher rates sent yields higher and prices lower.3

Even as earnings and economic growth in the US have been surprising to the upside, they have done so only by overcoming largely pessimistic hurdles.4 Adding to the market's plight: the return of two familiar headwinds—a strengthening dollar and falling oil prices. Perhaps investor sentiment is that the growth experienced in Q3 is not sustainable.

These market declines have coincided with the potential for rising rates. The probability of the Federal Reserve (Fed) raising the Fed Fund Rate in December now stands close to 70%.5 Tighter monetary policy amidst anemic economic growth may force the already slow recovery to grind to a halt. Despite all of this negative news, some ETFs experienced positive inflows.

Let's take a look at how ETFs fared during Red October.

Keeping up with equities

Even as returns for both equities and bonds took a tumble in October, investors took positions in both with a tilt towards higher risk equities. As we can see below, investors have favored equity ETFs in recent months but year-to-date fixed income ETFs lead—bringing in a record-setting $82 million.6

Some of these inflows might be attributable to a structural shift towards a more passive based investing approach. Amidst pending regulation and the oft-documented sluggish returns from active managers, investors may be losing interest in active investments.

October, Trailing 6-Month and Year-to-Date 2016 Asset Class Flows ($MM)

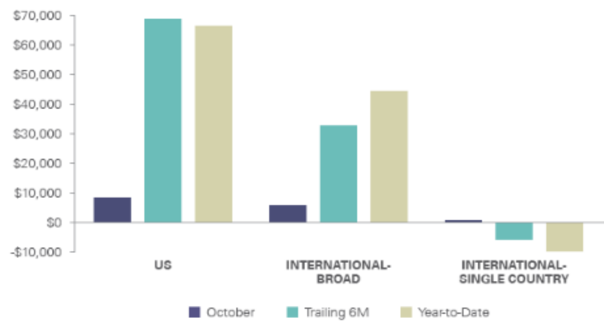
Source: Bloomberg Finance L.P., State Street Global Advisors, as of 10/31/2016

American Beauty

After dismal October performance and a raucous US Presidential election consuming the news, investors managed to remain confident that the US is the place to be. Investors also favored broad-based international exposures to specific regions and countries. An exception to this trend was inflows into single country ETFs in October to the tune of $524 million with $300 million towards China exposure.7

Though the dollar was up 2% for the month, investors continued to shy away from currency hedged ETFs which are now down $22.6 billion for the year.8 This is in stark contrast to this time last year when currency hedged ETF flows were breaking records on the upside.

October, Trailing 6-Month and Year-to-Date 2016 Geographical Flows ($MM)



Source: Bloomberg Finance L.P., State Street Global Advisors, as of 10/31/2016

Uncertainty on, risk off

As we enter year-end, we face some critical uncertainties in the US election outcome and the results of the December Fed meeting.

If the losing party contests the election results, risks will skew to the downside. After the 2000 election results were debated due to hanging chads from Florida ballots, the S&P 500 Index declined by nearly 8% through year-end.9 With uncertainty high, investors may want to consider carving out a risk mitigation position in their portfolios.

1Bloomberg Finance L.P., as of 10/31/2016
2Bloomberg Finance L.P., as of 10/31/2016
3Bloomberg Finance L.P., as of 10/31/2016
4FactSet, as of 10/31/2016
5Bloomberg Finance L.P., as of 10/31/2016, as measured by the CME Group FedWatch tool
6Bloomberg Finance L.P., State Street Global Advisors, as of 10/31/2016
7Bloomberg Finance L.P., as of 10/31/2016
8Bloomberg Finance L.P., State Street Global Advisors, as of 10/31/2016 9Bloomberg Finance L.P., as of 10/31/2016

Intended for US investors only.

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Harvest Gains and Losses All Year, Not Just at Year End

November 7, 2016

Authored by:
James E. Ross
Chairman of the Global SPDR Business
State Street Global Advisors

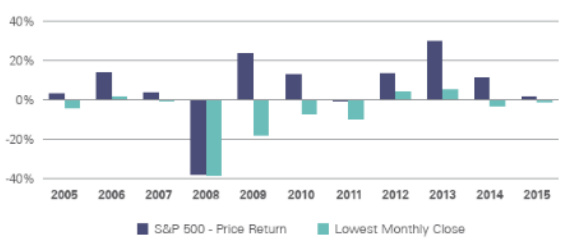
With most equity markets now in positive territory for the year, the crop from which to harvest tax losses this year seems rather modest. But that certainly was not the case for all of 2016, underscoring why tax loss harvesting is not simply a year-end event. Effective harvesting should take place throughout the year, as unexpected market events like the Brexit can create opportunities for investors to harvest portfolio gains as well as losses to manage their tax bill.

Use it or lose it: Harvesting gains and losses year round

Harvesting losses and gains is really not a one-time event; it should be a year-round activity that is incorporated into your tax planning strategy. For instance, waiting until the end of the year to harvest losses means that investments that were down early in the year—like the S&P 500® Index—could bounce back, erasing the opportunity to sell losers and book losses to offset gains.

As illustrated below, in the six years since 2005, the S&P 500 Index delivered positive annual returns on a price basis but closed in negative territory at the end of at least one month during the year.

S&P 500 Index Annual Return and Lowest Monthly Close



Source: FactSet, State Street Global Advisors, 1/1/2005 to 12/31/2015

Past performance is not a guarantee of future results.

Index returns are unmanaged and do not reflect the deduction of any fees or expenses. You cannot invest directly in an index. Index returns are not intended to reflect the performance of a specific investment.

At the same time, this year's strong market performance means it may be time to consider cashing in on some portfolio gains. Selling long-held positions can allow you to register a long-term capital gain. By immediately buying back the same position, you can receive a step-up in basis. This has the potential to reduce the magnitude of any future capital gains and can potentially result in savings when it comes to future taxes.

Tax loss harvesting: What you need to know

Tax loss harvesting works differently than harvesting gains. When it comes to harvesting losses, it's important to know that:

1. The Internal Revenue Service's Wash-Sale Rule prohibits taxpayers from claiming a loss on the sale of an investment if the same or "substantially identical" investment is purchased within 30 days before or after the sale date.1
2. Rather than sit on the sidelines, you can use a tax swap—a similar but not identical security—as a placeholder to maintain your exposure to the asset class for 30 days.
3. After 30 days, you can choose whether to switch back to your original holding.

ETFs for tax loss efficiency

Whether using a 30-day tax swap or choosing a more permanent portfolio replacement, ETFs can offer potential advantages when harvesting losses:

1. Tax efficiency. Because ETFs trade as baskets of securities, portfolio managers often don't have to sell individual securities to meet shareholder redemptions. Therefore, redemptions tend not to create capital gains distributions for shareholders, reducing the chance of an unwelcome year-end capital gain tax bill.
2. Diversification. Index ETFs provide broad exposure to an array of sectors, styles, industries and countries spanning virtually every asset class. This allows for either precise swaps for single stocks or broad exchanges for diversified exposures.
3. Liquidity. Because ETFs trade throughout the day on an exchange, you can re-allocate into the market immediately after your sale.

1Internal Revenue Service, "Publication 550: Investment Income and Expenses," as of 9/14/2016

Intended for US investors only.

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STATE STREET GLOBAL ADVISORS.

Finding the Signal Through the Noise: Does High Yield Have Room to Run?

November 1, 2016

Authored by:
David B. Mazza
Head of ETF and Mutual Fund Research
State Street Global Advisors

The high yield market is on pace for its fifth best annual performance in 20 years,1 and assets under management for the high yield corporate bond ETF market hit a record at the end of the third quarter as investors seek yield in a world where yield is hard to come by.2

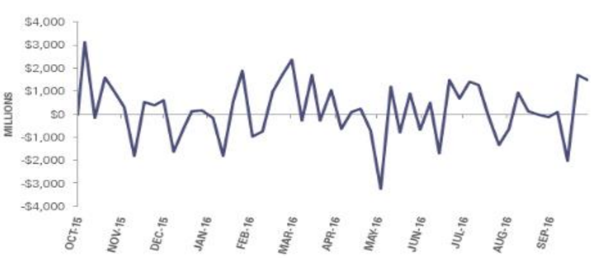
But this strong performance has started to create jitters among investors who worry high yield is overvalued and may not have much more room to run. In this blog we attempt to separate the signal from the noise to assess the outlook for high yield while also offering a potential solution for investors who are nervous about high yield.

High Yield: Strong flows but cautious conviction

US high yield ETFs gained an impressive $9.6 billion in new money over the last 12 months, suggesting confidence in the asset class.3 But behind the flows, the chart below reveals a volatile ride or a “cautious conviction” for high yield.

Investors are running hot and cold on the asset class, rushing into or exiting high yield based on macro events. For instance, in September investors sold $2.8 billion of the ETFs after being disappointed by the European Central Bank’s decision to not provide additional stimulus,4 but the selloff quickly reversed after $3.2 billion was reinvested in response to the Federal Reserve’s (Fed) decision to not raise rates.5

Weekly US High Yield ETF Flows Have Been Choppy



Source: Bloomberg Finance L.P., State Street Global Advisors, 10/5/2015–9/30/2016, excludes senior loan ETFs

In the hunt for yield, investors continue to seek high yield

The average option adjusted spread for US high yield has narrowed by 42.8% to 480 basis points since February 11, 2016, the day that most resembles the market’s nadir this year.6 Investors are requiring less spread over Treasuries to take on the credit risk of “junk” debt, pricing the probability of a credit event to be less likely.

Recent developments may support this improved

sentiment and demand for yield-at-any-price. While the Fed is expected to raise interest rates in December, the prospect for significantly higher US rates in the near term has fallen. There is also limited evidence that we will see a reversal of accommodative policies by global central banks. The continued low rate climate should fuel demand for higher yielding debt as income generation is a persistent need.

High Yield Credit Spreads Have Collapsed This Year

Source: Bloomberg, State Street Global Advisors, 7/3/2003–9/30/2016

Can the high yield market continue its run?

As we filter through the noise, we do not find compelling evidence suggesting an imminent hard and fast downturn in high yield. Unless there is an unforeseen credit event or a faster-than-expected rate rise, we believe high yield’s higher relative coupons to traditional bond segments like investment grade corporates or Treasuries should continue to provide investors with strong risk-adjusted returns in the near term. However, we also believe the generous returns high yield has provided in the last 12-months are likely behind us.

Given this, investors who are worried about high yield’s outlook but are in search of yield can consider senior loans, floating-rate debt issued by corporations and backed by collateral such as real estate or other assets.

Historically, the spread differential between high yield bonds and senior loans has averaged 116 basis points, but strong demand for high yield has helped compress the yield differential to 62 basis points.7 Senior loans, despite their senior, secured status, are now offering spreads that are similar to those of high yield debt.

Senior loans and active management

While healthier than high yield, loan recovery rates in the last 24 months have been less than 50%—the lowest level in more than 26 years.8

SRLN focuses on credit selection to avoid weak or failing senior loans that might be included in a passive ETF. Adding SRLN to a portfolio of interest rate-sensitive fixed income ETFs may help reduce interest rate risk and improve overall diversification.

Intended for US investors only.

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Fund Updates

- AllianceBernstein Closed-End Funds Announce Distribution Rates – October 24
- Certain BlackRock Closed-End Funds Announce Estimated Sources of Distributions – October 31
- Calamos Closed-End Funds (NASDAQ: CHI, CHY, CSQ, CGO, CHW and CCD) Announce Monthly Distributions for November 2016 – October 28
- Dreyfus Closed-End Funds Declare Distributions – October 28
- DoubleLine Opportunistic Credit Fund Declares November 2016 Distribution – November 1
- Distribution Dates and Amounts Announced for Eaton Vance Closed-End Funds – November 1
- Eaton Vance Closed-End Funds Release Estimated Sources Of Distributions – October 31
- First Trust High Income Long/Short Fund Increases its Monthly Common Share Distribution to $0.095 Per Share for November – October 20
- First Trust Advisors L.P. Announces Distributions for Exchange-Traded Funds – October 20
- First Trust Advisors L.P. Announces Distribution for First Trust High Income ETF – October 18
- Guggenheim Investments Announces November 2016 Closed-End Fund Distributions – November 1
- Guggenheim Investments Exchange Traded Funds Declare Monthly Distributions – October 31
- Invesco Closed-End Funds Declare Dividends – November 1
- Ivy High Income Opportunities Fund Announces Monthly Distribution – November 1
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- Three Nuveen California Municipal Closed-End Funds Declare Pre-Merger Distributions – October 25
- Pioneer Investments Declares Monthly Distributions for Closed-End Funds – November 3
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Current Use of Leverage and Implications of Rising Rates for U.S. Closed-End Funds

Tuesday, October 25, 2016 | 11:00 AM ET

Greg:
Thanks, Nicolas. Good to be here again participate in the webinar. We have done this stuff a couple years already, also participate in Capital Link's main conference in April, and I hope that everybody who's listening in will join us for our leverage panel they were going to do. My name is Greg Fayvilevich. I'm here with Brian Knudsen. As Nicolas mentioned, we cover closed-end funds for Fitch Ratings. Primarily, we assign ratings to debt and preferred shares they should buy the closed-end funds both municipal and taxable. Importantly, we also do research on key trends impacting the close of the market and particularly leverage. I'll note that we have a distribution list, research the distribution list so if you want to receive our research as we publish it, please just email me or Brian. Our contact information is at the back. We'll be happy to add you to the list.

With that, just a reminder that the users are controlling their own slides so with that, please turn to Slide 3. That's just an overview of leverage in closed-end funds right now. That was the most recent period. We can do the slide every time and kind of interesting to observe the changes we see leverages come down in general a little bit. Municipal funds generally tend to cluster to be in the mid to high 30s percent in terms of leverage ratio as a percent of total assets. Taxable funds hover just to around thirty percent. Some are under a little over.

Brian, can you talk about what determines where funds maintain their leverage ratios?

Brian:
Yes. The main drivers for leverage ratios on both tax law and municipal side are primarily included regulatory limits on leverage within the offering documents, given ratings on specific leverage, leverage targets by each fund manager and risk management considerations. For instance, on the taxable fund side, they rely mostly on debt financing which is subject to a maximum 33 and a third percent limit ratio by the 1940 Act. As a result of this, we see a lot of funds on the taxable side groups that around thirty percent leverage ratio. If the actual funds want to go beyond this limit, they either need to utilize preferred financing which is subject to a fifty percent leverage ratio limit or employ nontraditional funding such as reverse, repurchase agreements.

Greg:
Thank you. And let's move to Slide 4 now. I mentioned Fitch rates, the preferred shares issued by closed-end funds, we about $30 billion worth of these securities issued by US and Puerto Rico closed-end funds. It's about one-third tax for taxable funds and two-thirds in municipal funds. You can see on this chart that most of the ratings are clustered around the high-grade ratings and that's really driven by the very strong structural protections we generally see in closed-end funds. Some of those are driven by the 1940 Act protections as well as some embedded protections within the documents governing these securities.

We won't spend too much time here, so let's move on to Slide 6. Start with the tax-exempt funds and particularly performance of these funds, we've seen over the last year or so performance of in municipal market in general has been very strong and that has translated into the performance of municipal closed-end funds both investment grade and high yield. With a low-yield environment, we've particularly seen quite a bit investor demand for high-yield product in municipal space. And that's been reflected in the open-end funds and implodes into those types of products and discount snaring and closed-end funds. However, more recently over the last couple weeks, we've seen the market turn a little bit. After 54 weeks of consecutive inflows into open-end funds, we've seen the first outflow, and so technicals in the space are a little bit weaker than before.

Featured Presenters

Greg Fayvilevich
Senior Director, Fund & Asset Manager Rating Group
Fitch Ratings

Brian Knudsen
Associate Director, Fund & Asset Manager Rating Group
Fitch Ratings

FitchRatings

One of the big implications of the increase in asset valuation and municipal space for closed-end funds has been the subsequent decline of the leverage ratios of these funds which you can see are plotted on these charts. On the right axis, the light blue line, you can see that leverage ratios for investment grade funds have come down for maybe around thirty six percent to around thirty three percent, and really a lot of that is driven by the strong performance.

Now, turning to Slide 7, this chart shows the actual nominal leverage amounts in municipal closed-end funds. You can see that despite the strong performance of municipal closed-end funds. For the most part, leverage amounts have been relatively stable. Over the last couple of years, we've seen a slight tick up in this most recent half year.

Brian, can you talk about what are the key trends driving or what are the key trends that you see here?

Brian:
Yes. Now, within the municipal closed-end fund leverage space, we still see tender option bonds, VMTPs, and VRTPs as the main source of leverage. In terms of legacy ARPS, we still continue to see these redeemed often at below par tenders. However, the pace of this has slowed. We have seen a small uptick in nominal leverage outstanding, but this has not really kept the pace with the increase in municipal assets and evaluations over the period. So as a result, as you've seen on the previous slide, the leverage ratios for municipal closed-end funds have ticked down.

Greg:
We see a small increase here in IMTPs, business IMTPs. Can you give a little bit of contrast IMTPs to maybe VMTPs which are probably the most similar product?

Brian:
Yes. We have seen some new issuance of IMTPs and this has been a connection with a tender and refinancing of legacy ARPS. The difference between these and VMTPs, VMTPs are traditionally put placed with banks. IMTPs are traditionally placed with short-term bond funds. It seems that there's a little bit of a push to diversify funding sources within the sector.

Greg:
But otherwise, these products are fairly similar. IMTPs are still pretty small. Do you expect growth in this product?

Brian:
We do expect some growth and we do expect a focus on diversification funding going forward. One topic that's impacting closed-end fund leverage has been money market reform which we will touch on later in this presentation. But in order for a steady leverage profile over time, it's definitely important for these funds to diversify their financing sources.

Greg:
Okay, thank you. With that, let's turn to Slide 8. This just shows recent issuance of municipal closed-end fund leverage. In 2016, it looks like a pretty strong year for issuance. Brian, can you talk about what's driving that?

Brian:
Yes. We have had a very big year in terms issuance. However, majority of this has not been new money but actually refinancings. Merger is a municipal fund. There's been a few very large ones that have been merged that have caused funds issue leg for lack of securities by the acquiring fund for those that target fund. For instance, the acquiring fund will issue VRDP Shares for the existing VRDP Shares of the target fund. In addition to this, we have seen some new issuance in connection with these to reach target leverage ratios as municipal asset values have steadily rose throughout most of the year.

Greg:
Okay, thank you. We talked a little bit about IMTPs earlier and we mentioned we expect that could be an avenue of one of the more popular products going forward. What about the other products that we currently see that make up a big portion of leverage like VRDPs or VMTPs? What do you expect there?

Brian:
Yes. So as I said before, we do expect more diversification and especially more direct placement with banks. This include VMTPs which are placed with banks and also term VRDPs which is when the liquidity provider of a VRDP agrees to hold the security directly on their balance sheet for an agreed upon period of time. We do expect these to increase with the changes going on in the money market fund space which we will discuss later in this presentation.

Greg:
These are replacements maybe will happen at the expense of security that have been placed with the money funds in the past. Maybe VRDPs are remarketed and maybe held by money funds remarketed will now just be held by or we're seeing more of a trend of the banks just holding them directly or [0:13:39] [Indiscernible] held by money funds now that there's less demand because of reform. Again, as Brian mentioned, we'll get into that a little bit later.

Okay. But for now, let's turn to taxable funds, Slide 10. Again, this chart shows the evolution of leverage and taxable funds, taxable closed-end funds. A very different picture here than in municipal closed-end funds we see quite a significant reduction of nominal leverage outstanding since early 2015. Brian, can you talk about what are the trends here?

Brian:
Yes. So I've noted nominal leverage has come down an amount from the peak in the first half of 2015. This can be a largely attributed to volatility in certain taxable sectors such as energy and commodities. Now, these have driven funds to reduce leverage particularly in MLP space.

Greg:
Okay. Despite the declines, the overall declines, we've seen some funds in new leverage, right? Can you can explain that?

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