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The Month in Closed-End Funds: December 2016

PERFORMANCE

For the second consecutive month equity CEFs on average witnessed plus-side returns on a NAV basis and a market basis (+1.85% and +1.52%, respectively). And for the first month in four their fixed income CEF counterparts chalked up returns in the black, rising 1.54% and 1.98%, respectively, for December. The U.S. broad-based indices continued to fare well in the post-election rally. While the markets initially tanked on president-elect Donald Trump's surprise win on November 8, the Dow Jones Industrial Average Price Only Index posted its best Election Day-to-end-of-year return (+7.80%) since 1952, when Dwight D. Eisenhower was elected president. Investors were betting Trump's proposed polices of tax cuts, deregulation, and infrastructure development will accelerate economic growth. Investors also cheered the Federal Open Market Committee's rate hike in December and the Organization of the Petroleum Exporting Countries' production cut, which collectively sent most of the major U.S. broad-based indices to multiple record highs. The Dow just missed the 20,000 mark and closed the year at 19,762.60.

A slightly weaker-than-expected nonfarm-payrolls report and caution ahead of the Italian constitutional-reform referendum kept equities in check at the beginning of December. While the new jobs numbers showed improvement, they also reflected a slight slowdown in growth. However, with the jobless rate falling to a nine-year low of 4.6% investors continued to bet the Fed would raise rates mid-month. The Department of Labor reported the U.S. had added 178,000 jobs for November, only slightly below the consensus-expected 180,000. Across the pond, investors kept a wary eye on the European Union markets after Italian voters rejected constitutional reform, leading to Italy's Prime Minister Matteo Renzi's resignation and further uncertainty.

Nonetheless, equities continued their ascent in December, with out-of-favor issues finding some footing. Trump's election victory and the then-high likelihood of a Fed interest rate hike helped rev up interest in financial stocks, which looked to benefit from higher interest rates. Oil prices got a shot in the arm mid-month after a meeting between non-OPEC oil producers and OPEC generated an agreement to reduce output by 558,000 barrels a day. Stocks took a short hiatus from their upward trek immediately following the Fed's two-day policy meeting in which it raised its prime lending rate 25 bps as expected and forecasted three more hikes in 2017, compared to the two that had been anticipated at its September meeting. While at month-end investors did a little year-end profit taking from some of the high-flying groups and low volume weighed on weekly performance, the Dow posted its strongest one-year return in three.

As might have been expected given the Fed rate hike mid-month, the Treasury yield curve shifted upward at all maturities (except the six-month yield) for the month. The two-year Treasury yield saw the largest increase in yield, 9 bps to 1.20%, while the six-month Treasury yield saw no change, remaining at 0.62%.

The Month in Closed-End Funds: December 2016

- For the second month in a row equity closed-end funds (CEFs) witnessed a plus-side return on average, rising 1.85% on a net-asset-value (NAV) basis for December, while their fixed income CEF cohorts posted a return in the black for the first month in four, rising 1.54%.
- For December only 12% of all CEFs traded at a premium to their NAV, with 9% of equity funds and 15% of fixed income funds trading in premium territory. Thomson Reuters Lipper's World Income CEFs macro-classification witnessed the largest narrowing of discounts for the month—213 basis points (bps) to 8.11%.
- Pacific ex-Japan CEFs (-1.40%) and Emerging Markets CEFs (-0.22%) weighed on the world equity CEFs macro-group (+0.86%), dragging it to the bottom of the equity universe for the second month running.
- With investors focusing on value- and energy-related issues, the domestic equity CEFs macro-group stayed at the top of the charts (+2.34%) for the second month in a row.
- For the first month in four all Lipper municipal debt CEF classifications posted returns in the black, with Other States Municipal Debt CEFs (+1.47%) posting the best return of the group.

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THOMSON REUTERS

For December the dollar strengthened against the euro (+0.25%), the pound (+1.20%), and the yen (+2.15%). Commodities prices were mixed for the month, with near-month gold prices declining 1.78% to close December at $1,150.00/ounce, while front-month crude oil prices rose 8.66% to close the month at $53.72/ barrel.

For the month 92% of all CEFs posted NAV-based returns in the black, with 85% of equity CEFs and 98% of fixed income CEFs chalking up returns in the plus column. For the second month in a row Lipper's domestic equity CEFs macro-group (+2.34%) outpaced its two equity-based brethren: mixed-asset CEFs (+1.62%) and world equity CEFs (+0.86%).

As a result of the late-month rally in oil prices and the move toward value-oriented and out-of-favor issues, the Energy MLP CEFs classification (+5.17%) jumped to the top of the equity charts for the first month in three. It was followed by Utility CEFs (+4.23%, November's laggard) and Natural Resources CEFs (+2.86%). Domestic equity CEFs (+2.34%) were pulled down by Growth CEFs (+0.53%) and Sector Equity CEFs (+0.74%). However, at the bottom of the equity universe was Pacific ex-Japan CEFs, declining 1.40% for December. For the remaining equity classifications returns ranged from minus 0.22% (Emerging Markets CEFs) to positive 2.69% (Value CEFs).

Six of the ten top-performing individual equity CEFs were housed in Lipper's Energy MLP CEFs classification. At the top of the charts **Nuveen All Cap Energy MLP Opportunities Fund (JMLP)** rose 9.32% on a NAV basis and traded at a 3.74% discount on December 30. JMLP was followed by **Central Europe Russia and Turkey Fund, Inc. (CEE,** housed in the Emerging Markets CEFs classification), rising 8.82% and traded at a 13.10% discount at month-end; **John Hancock Financial Opportunities Fund (BTO,** warehoused in the Sector Equity CEFs classification), posting a 7.88% return and traded at a 3.69% premium on December 30; **Cushing MLP Total Return Fund (SRV**, housed in the Energy MLP CEFs classification), gaining 7.67% and traded at a 14.42% discount at month-end; and **Reaves Utility Income Fund (UTG,** warehoused in the Utility CEFs classification), rising 7.47% and traded at a 4.45% discount on December 30.

For the month the dispersion of performance in individual equity CEFs—ranging from minus 5.55% to positive 9.32%—was narrower than November's spread and more positively skewed. The 20 top-performing equity CEFs posted returns at or above 5.03%, while the 20 lagging equity CEFs were at or below minus 1.30%.

CLOSED-END FUNDS LAB

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

	NAV RETURNS POSITIVE	PREMIUM/DISCOUNT		NOW TRADING AT	
		BETTER	WORSE	PREMIUM	DISCOUNT
Equity Funds	85	43	54	9	90
Bond Funds	98	59	40	15	84
ALL CEFs	**92**	**52**	**46**	**12**	**87**

TABLE 2 AVERAGE NAV RETURNS, SELECTED PERIODS (%)

	DECEMBER	YTD	3-MONTH	CALENDAR-2015
Equity Funds	1.85	11.72	0.09	-7.95
Bond Funds	1.54	6.66	-2.23	1.27
ALL CEFs	**1.68**	**8.90**	**-1.19**	**-2.62**

TABLE 3 NUMBER OF IPOs, SELECTED 12-MONTH PERIODS

	DECEMBER 2016	CALENDAR-2015
ALL CEFs	**16**	**24**

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

3 MONTHS THROUGH 11/30/2016	210
COMPARABLE YEAR-EARLIER 3 MONTHS	286
CALENDAR 2015 AVERAGE	381

Source: Thomson Reuters Lipper

For the month only 38 CEFs in the equity universe posted negative returns. Four of the five worst performing funds were housed in the Emerging Markets CEFs classification, with **JPMorgan China Region Fund, Inc. (JFC)** at the bottom of the pile, shedding 5.55% of its November-closing NAV price and traded at a 7.70% discount at the end of December. **Morgan Stanley China A Share Fund, Inc. (CAF)** posted the next poorest return in the equity universe, declining 4.77%. CAF traded at an 18.24% discount on December 30.

In anticipation of an interest rate hike by the Fed during the month and the inflation projections from the president-elect's economic plans, the ten-year Treasury yield rose from an intra-month closing low of 2.34% on December 7 to its month-end close of 2.45%; climbing 8 bps for the month. For the ninth month in ten domestic taxable bond CEFs (+1.74%) posted a plus-side return on average but were bettered somewhat by world income CEFs (+1.98%), which benefitted from relatively strong performance from Emerging Markets Debt CEFs (+2.78%) and Global Income CEFs (+1.56%). For the first month in four municipal bond CEFs (+1.32%) posted a return in the black on average.

Investors continued their search for yield, bidding up emerging-market debt and high-yield instruments in December. The domestic fixed income CEFs macro-group was dragged down by the two laggards of the fixed income universe: U.S. Mortgage CEFs (+0.34%) and Corporate Debt BBB-Rated CEFs (+0.63%). At the top of the fixed income chart were Emerging Markets Debt CEFs (+2.78%), High Yield CEFs (Leveraged) (+2.40%), and High Yield CEFs (+1.90%).

For the first month in four all Lipper municipal debt CEF classifications posted returns in the black. Other States Municipal Debt CEFs (+1.47%) and California Municipal Debt CEFs (+1.46%) posted the strongest returns in the group, while Intermediate Municipal Debt CEFs (+0.80%) was the relative laggard. Single-state municipal debt CEFs (+1.43%) outpaced their national municipal debt CEF counterparts (+1.23%).

Seven of the ten top-performing individual CEFs in the fixed income universe were housed in Lipper's High Yield CEFs (Leveraged) classification. However, the top two were warehoused in the Emerging Markets Debt CEFs classification: **Stone Harbor Emerging Markets Total Income Fund (EDI),** returning 4.77% and traded at a 4.78% discount on December 30, and **Stone Harbor Emerging Markets Income Fund (EDF),** returning 4.67% and traded at a 2.95% premium at month-end. Following EDF was **Credit Suisse High Yield Bond Fund (DHY,** housed in the High Yield CEFs [Leveraged] classification), tacking 3.97% onto its November month-end value and traded at a 0.37% discount on December 30; **Avenue Income Credit Strategies Fund (ACP,** also housed in the High Yield CEFs [Leveraged] classification), returning 3.79% and traded at an 11.17% discount at month-end; and **Barings Global Short Duration High Yield Fund (BGH,** housed in the High Yield CEFs [Leveraged] classification), posting a 3.57% return and traded at a 7.86% discount on December 30.

For the remaining funds in the fixed income CEFs universe monthly NAV-basis performance ranged from minus 1.20% for **Aberdeen Asia-Pacific Income Fund, Inc. (FAX,** housed in Lipper's Global Income CEFs classification), traded at a 12.31% discount on December 30, to 3.37% for **Western Asset Middle Market Income Fund Inc. (WMF,** a hybrid interval CEF that is closed to new investors, housed in Lipper's High Yield CEFs [Leveraged] classification). The 20 top-performing fixed income CEFs posted returns at or above 2.73%, while the 20 lagging CEFs were at or below 0.20%. Only eight fixed income CEFs witnessed negative NAV-based performance for December.

PREMIUM AND DISCOUNT BEHAVIOR

For December the median discount of all CEFs narrowed 50 bps to 7.28%—worse than the 12-month moving average discount (6.93%). Equity CEFs' median discount widened 38 bps to 10.62%, while fixed income CEFs' median discount narrowed 96 bps to 5.85%. World Income CEFs' median discount witnessed the largest narrowing of discounts in the CEFs universe, 213 bps to 8.11%, while the World Equity CEFs macro-classification witnessed the largest widening of discounts—94 bps to 9.56%.

For the month 52% of all funds' discounts or premiums improved, while 46% worsened. In particular, 43% of equity funds and 59% of fixed income funds saw their individual discounts narrow, premiums widen, or premiums replace discounts. The number of funds traded at premiums on December 30 (65) was 5 less than on November 30.

CEF EVENTS AND CORPORATE ACTIONS

IPOs

First Trust Advisors L.P. announced the initial public offering of **First Trust Senior Floating Rate 2022 Target Term Fund (FIV),** a CEF. The fund's investment objectives are to seek a high level of current income and to return $9.85 per common share of beneficial interest of the fund (the original NAV before deducting offering costs) to holders of such shares on or about February 1, 2022. The fund was expected to commence trading on December 22, 2016, on the New York Stock Exchange (NYSE) under the ticker symbol "FIV." The fund initially raised gross proceeds of $325,000,000 in its common share offering and, should the underwriters exercise the overallotment option in full (which may or may not occur), the fund will have raised gross proceeds of approximately $369,500,000.

RIGHTS, REPURCHASES, TENDER OFFERS

John Hancock Financial Opportunities Fund (BTO), John Hancock Hedged Equity & Income Fund (HEQ), John Hancock Income Securities Trust (JHS), John Hancock Investors Trust (JHI), John Hancock Premium Dividend Fund (PDT), and John Hancock Tax-Advantaged Dividend Income Fund (HTD) announced that the board of trustees has renewed the funds' share repurchase plans that were set to expire on December 31, 2016. The board of trustees approved renewal of the share repurchase plans as part of its ongoing evaluation of options to enhance shareholder value and potentially decrease the discount between the market price and the NAV per share of the funds' common shares. Under the share repurchase plans each fund may purchase in the open market between January 1, 2017, and December 31, 2017, up to an additional 10% of its outstanding common shares (based on common shares outstanding as of December 31, 2016).

Neuberger Berman Real Estate Securities Income Fund Inc. (NRO) announced that it commenced a tender offer. As previously announced, the fund will purchase up to 15% of its outstanding common shares for cash at a price equal to 98% of its NAV per share determined on January 9, 2017, or such later date to which the tender offer is extended. The tender offer will expire on January 10, 2017, unless the offer is extended. **Tekla World Healthcare Fund (THW),** a non-diversified CEF that invests primarily in the healthcare industry, said its board of trustees has authorized renewal of its share repurchase program, allowing the fund to purchase in the open market up to 12% of its outstanding shares for a one-year period ending December 14, 2017.

The boards of trustees of **Clough Global Equity Fund (GLQ), Clough Global Opportunities Fund (GLO),** and **Clough Global Dividend and Income Fund (GLV)** previously voted to reinstate the share repurchase program for the current fiscal year ending October 31, 2017. Under the share repurchase program each of the funds may purchase up to 5% of its outstanding common shares as of December 9, 2016, in the open market between now and the funds' fiscal year-end of October 31, 2017. As part of their ongoing evaluation of options to enhance shareholder value, the boards authorized the advisor to have the funds repurchase their respective common shares at such times and in such amounts as the advisor reasonably believes may enhance shareholder value.

The Zweig Fund, Inc. (ZF) announced that the fund's tender offer for 853,340.20 of its issued and outstanding common shares, representing approximately 5% of the fund's outstanding shares, expired on December 23, 2016. Based upon current information, approximately 5,886,444.00 shares were tendered, including shares tendered pursuant to notices of guaranteed delivery. Based on this preliminary information, the pro-ration for each tendering shareholder was estimated to be 14.4967% of the shares properly tendered. (These numbers are subject to adjustment and should not be regarded as final.) The actual number of shares to be purchased was anticipated to be announced on January 3, 2017. Payment for such shares was to be made on or about January 5, 2017. The purchase price of properly tendered shares was 98% of the NAV per share determined as of the close of the regular trading session of the NYSE on December 23, 2016, which was equal to $13.1418 per share.

Virtus Global Dividend & Income Fund Inc. (ZTR) announced that the fund's tender offer for 1,351,195.45 of its issued and outstanding common shares, representing approximately 5% of the fund's outstanding shares, expired on December 23, 2016. Based upon current information, approximately 7,860,267.00 shares were tendered, including shares tendered pursuant to notices of guaranteed delivery. Based on this preliminary information, the pro-ration for each tendering stockholder was estimated to be 17.1902% of the shares properly tendered. (These numbers are subject to adjustment and should not be regarded as final.) The actual number of shares to be purchased was anticipated to be announced on January 3, 2017. Payment for such shares was to be made on or about January 5, 2017. The purchase price of properly tendered shares was 98% of the NAV per share determined as of the close of the regular trading session of the NYSE on December 23, 2016, which was equal to $12.4950 per share.

MERGERS AND REORGANIZATIONS

Brookfield Total Return Fund was merged with two other **CEFs—Brookfield High Income Fund** and **Brookfield Total Return Fund**—to create the $912-million **Brookfield Real Assets Fund (RA).** The fund pursues investments in "real assets," investing in securities issued by real estate, infrastructure, and national resources companies. Corporate issues are 29% of the portfolio, while residential mortgage-backed securities and commercial mortgage-backed securities account for 35% and

21%, respectively. Equities are just 2% of the fund.

Western Asset Emerging Markets Income Fund Inc. (EMD), Western Asset Worldwide Income Fund Inc. (SBW), and Western Asset Emerging Markets Debt Fund Inc. (ESD) announced the results of the votes cast at the joint special meeting of shareholders of EMD, SBW, and ESD held on December 12, 2016.Shareholders of both EMD and ESD voted to approve the merger of EMD with and into ESD, and shareholders of SBW and ESD voted to approve the merger of SBW with and into ESD. The mergers were expected to be effective prior to the opening of business on December 19, 2016. Upon completion of the mergers each common share of EMD and SBW would convert into an equivalent dollar amount (to the nearest $0.0001) of full common shares of ESD, based on the NAV of each fund on the date of the applicable merger. ESD was not expected to issue fractional shares to EMD and SBW shareholders. In lieu of issuing fractional shares ESD was to pay cash to each former holder of EMD and SBW common shares in an amount equal to the NAV of the fractional shares of ESD fund common shares that the investor would otherwise have received in the merger. Effective with the mergers, ESD changed its NYSE ticker symbol from ESD to the ticker symbol EMD. The merged fund was anticipated to begin trading under the EMD ticker symbol on December 19, 2016.

OTHER

BlackRock Advisors, LLC announced that the board of trustees of **BlackRock Defined Opportunity Credit Trust (BHL)** approved adoption of a plan of liquidation and termination of the trust on or before August 31, 2017, consistent with the trust's investment objectives. The trust's investment objectives and policies are not designed to seek to return to investors the initial offering price per common share on the termination date. Under the plan of liquidation, which was effective as of January 1, 2017, the trust will begin the process of liquidating portfolio assets and unwinding its affairs in preparation for the trust's anticipated termination on or before August 31, 2017. The trust expects to make periodic liquidating distributions to shareholders pursuant to the plan of liquidation in advance of its termination and to make a final liquidating distribution on or around August 31, 2017.

RiverNorth Capital Management, LLC announced issuance of 508,519 common shares of **RiverNorth/DoubleLine Strategic Opportunity Fund, Inc. (OPP)** at a price of $19.60 per share pursuant to exercise of the underwriters' overallotment option on November 16, 2016, resulting in net proceeds to the fund of $9,966,972.40. The fund raised initial gross proceeds of $205,379,795.92 in its initial public offering of common shares, which concluded September 27, 2016. The fund's initial public offering, including exercise of the overallotment option, resulted in net proceeds to the fund of $215,346,768.32.

Shareholders of **Western Asset Emerging Markets Debt Fund Inc. (ESD)** voted to approve amendment of ESD's primary investment objective to high current income and its secondary investment objective to capital appreciation. This change was not expected to have a material impact on ESD's investments.

JPMorgan China Region Fund, Inc. (JFC) announced that the board of directors of the fund has determined to submit a proposal to liquidate the fund to a vote of all shareholders. This determination followed the board's consideration of the fund's future following various discussions with shareholders. The board is currently analyzing considerations regarding the timing and format of this proposal. The board will provide further details regarding its proposal to liquidate the fund as soon as reasonably practicable.

CEF Performance Statistics

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Lipper Classification	Average of 1Mo Nav	Average of 1 Mo Mkt	Average of Dec P/D	Average of Nov P/D	Average of 1 Mo P/D chg	Average of YTD NAV Change	Average of YTD Mkt Change	Average of YTD P/D Change (%)
California Municipal Debt Funds	0.89%	1.02%	-2.03%	-2.18%	0.15%	-5.02%	-5.82%	-0.74%
Convertible Securities Funds	1.18%	1.87%	-9.55%	-10.12%	0.57%	2.23%	5.88%	3.08%
Core Funds	0.65%	0.72%	-10.84%	-9.70%	0.02%	0.48%	1.23%	0.79%
Corporate BBB-Rated Debt Funds(Leveraged)	0.22%	1.88%	-7.79%	-9.23%	1.44%	2.05%	4.63%	2.16%
Corporate Debt Funds BBB-Rated	0.08%	0.82%	-3.88%	-5.01%	0.58%	1.18%	2.48%	1.48%
Developed Market Funds	-0.48%	-0.83%	-13.07%	-12.74%	-0.34%	-4.16%	-5.48%	-1.19%
Emerging Markets Funds	-1.52%	-1.45%	-13.17%	-13.27%	0.10%	5.17%	3.71%	-1.00%
Emerging Mrkts Hard Currency Debt Funds	1.49%	2.40%	-7.74%	-8.54%	0.80%	4.42%	11.56%	5.91%
Energy MLP Funds	4.75%	1.53%	-7.62%	-4.46%	-3.16%	20.70%	19.33%	-0.43%
General & Insured Muni Debt Funds (Leveraged)	0.78%	1.27%	-3.94%	-4.39%	0.45%	-4.96%	-4.16%	0.75%
General & Insured Muni Fds (Unleveraged)	0.54%	0.82%	-4.42%	-4.63%	0.22%	-2.90%	-5.44%	-2.73%
General Bond Funds	0.45%	1.64%	-3.48%	-5.08%	1.60%	3.44%	7.11%	3.92%
Global Funds	0.83%	0.69%	-10.63%	-10.57%	-0.11%	-2.61%	1.26%	2.97%
Global Income Funds	0.11%	1.10%	-5.60%	-6.51%	0.91%	0.47%	4.76%	3.87%
Growth Funds	0.53%	-2.39%	-15.10%	-12.60%	-2.50%	10.13%	-8.73%	-4.70%
High Yield Funds	0.23%	1.60%	-7.92%	-8.12%	0.20%	6.22%	9.17%	1.66%
High Yield Funds (Leveraged)	1.17%	2.93%	-6.63%	-7.88%	1.25%	9.31%	12.32%	2.23%
High Yield Municipal Debt Funds	0.59%	-0.15%	-4.21%	-3.47%	-0.74%	-4.33%	-5.45%	-1.26%
Income & Preferred Stock Funds	0.54%	2.85%	-4.50%	-6.14%	2.15%	0.69%	4.58%	3.54%
Intermediate Municipal Debt Funds	0.34%	0.73%	-3.60%	-4.01%	0.41%	-4.55%	-5.46%	-0.94%
Loan Participation Funds	0.96%	2.67%	-2.93%	-5.19%	2.00%	7.41%	14.84%	6.27%
Natural Resources Funds	2.28%	0.04%	-9.35%	-7.26%	-2.09%	21.52%	23.70%	2.45%
New Jersey Municipal Debt Funds	0.81%	0.77%	-5.65%	-5.63%	-0.02%	-4.63%	-1.59%	2.89%
New York Municipal Debt Funds	1.03%	0.44%	-4.43%	-3.89%	-0.54%	-4.42%	-5.18%	-0.71%
Options Arbitrage/Opt Strategies Funds	0.05%	-0.69%	-5.79%	-4.80%	-0.99%	-2.20%	-3.58%	-1.48%
Other States Municipal Debt Funds	1.09%	-0.64%	-5.42%	-3.56%	-1.86%	-3.49%	-4.26%	-1.33%
Pacific Ex Japan Funds	-3.66%	-2.93%	-12.64%	-13.32%	0.68%	2.07%	2.96%	0.82%
Pennsylvania Municipal Debt Funds	0.13%	-0.37%	-6.70%	-9.50%	-1.06%	-4.66%	0.13%	4.72%
Real Estate Funds	0.85%	1.79%	-9.43%	-9.55%	0.12%	0.76%	-0.24%	0.83%
Sector Equity Funds	0.10%	-2.14%	-7.65%	-5.66%	-1.99%	2.30%	2.42%	0.41%
U.S. Mortgage Funds	-0.62%	0.25%	-3.67%	-4.42%	0.75%	-1.63%	0.93%	3.35%
Utility Funds	2.69%	1.75%	-6.25%	-5.28%	-0.97%	4.10%	7.08%	2.61%
Value Funds	1.65%	2.80%	-10.38%	-11.36%	0.98%	5.92%	7.89%	2.24%

Top 5 Performing CEFs

LIPPER

Fund Name	Category	Ticker Symbol	1-Month NAV Change	Rank
Nuveen AC Engy MLP Opps	Energy MLP Funds	XJMLX	9.3%	1
Center Coast MLP & Infra	Energy MLP Funds	XCENX	7.4%	2
Central Euro Russia & Tu	Emerging Markets Funds	XCEEX	7.3%	3
Cushing MLP Tot Ret	Energy MLP Funds	XSRVX	7.0%	4
J Hancock Finl Opptys	Sector Equity Funds	XBTOX	6.7%	5

Fund Name	Category	Ticker Symbol	Year-to-Date NAV Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds		52.8%	1
Tortoise Pipelne & Enrgy	Natural Resources Funds	XTTPX	46.3%	2
Kayne Anderson Mstr/Engy	Energy MLP Funds	XKMFX	42.5%	3
Kayne Anderson Enrgy TR	Energy MLP Funds	XKYEX	40.9%	4
Nuveen AC Engy MLP Opps	Energy MLP Funds	XJMLX	39.2%	5

Fund Name	Category	Ticker Symbol	1-Month Market Change	Rank
BlackRock MA Tax-Exempt	Other States Municipal Debt Funds	XMHEX	11.6%	1
THL Credit Senior Loan	Loan Participation Funds	XTSLX	10.6%	2
Nuveen NJ Muni Value	New Jersey Municipal Debt Funds	XNJVX	10.5%	3
J Hancock Premium Div	Income & Preferred Stock Funds	XPDTX	9.9%	4
Flrty Pfd Income Fund	Income & Preferred Stock Funds	XPFDX	8.7%	5

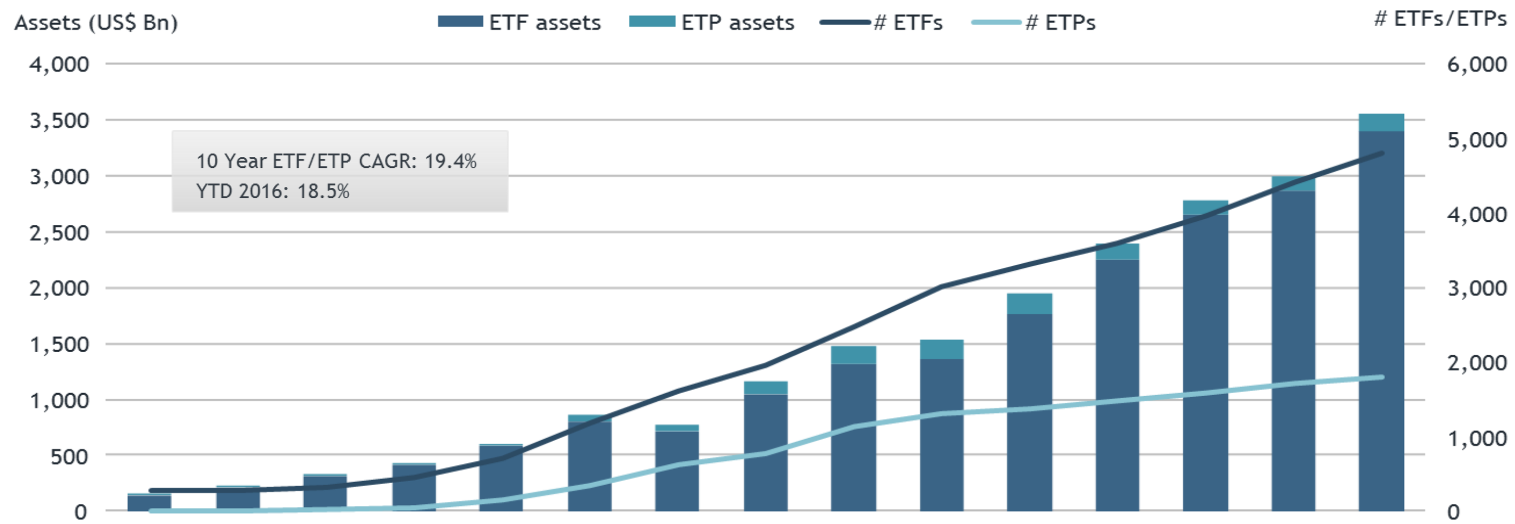
Fund Name	Category	Ticker Symbol	Year-to-Date Market Change	Rank
ASA Gold & Prec Met Ltd	Sector Equity Funds		54.0%	1
Tortoise Pipelne & Enrgy	Natural Resources Funds	XTTPX	48.6%	2
Tortoise Energy Indpndce	Natural Resources Funds	XNDPX	46.3%	3
Nuveen AC Engy MLP Opps	Energy MLP Funds	XJMLX	44.2%	4
Salient Midstream & MLP	Energy MLP Funds	XSMMX	42.5%	5

Fund Name	Category	Ticker Symbol	1-Month P/D Change	Rank
Nuveen NJ Muni Value	New Jersey Municipal Debt Funds	XNJVX	10.4%	1
J Hancock Premium Div	Income & Preferred Stock Funds	XPDTX	10.3%	2
BlackRock MA Tax-Exempt	Other States Municipal Debt Funds	XMHEX	9.8%	3
THL Credit Senior Loan	Loan Participation Funds	XTSLX	8.7%	4
Neuberger Intmdt Muni	Intermediate Municipal Debt Funds	XNBHX	8.3%	5

Fund Name	Category	Ticker Symbol	Year-to-Date P/D Change	Rank
RENN Fund	Global Funds		32.0%	1
PIMCO High Income	General Bond Funds	XPHKX	21.2%	2
Nuveen PA Muni Value	Pennsylvania Municipal Debt Funds	XNPNX	20.8%	3
Nuveen NJ Muni Value	New Jersey Municipal Debt Funds	XNJVX	17.2%	4
StoneHarbor Emg Mkts Inc	Emerging Mrkts Hard Currency Debt Funds	XEDFX	13.8%	5

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

At the end of December 2016, the Global ETF industry had 4,808 ETFs, with 10,025 listings, assets of US$3,396 Bn, from 254 providers on 63 exchanges. At the end of December 2016, the Global ETF/ETP industry had 6,630 ETFs/ETPs, with 12,523 listings, assets of US$3,548 Bn, from 290 providers on 65 exchanges.



Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Dec-16
# ETFs	284	289	335	451	725	1,184	1,614	1,962	2,470	3,019	3,324	3,589	3,961	4,424	4,808
# ETFs/ETPs	296	304	365	507	888	1,545	2,239	2,741	3,611	4,334	4,710	5,081	5,553	6,145	6,630
ETF assets	142	212	310	417	580	807	716	1,041	1,313	1,355	1,754	2,254	2,643	2,870	3,396
ETF/ETP assets	146	218	319	426	603	857	774	1,158	1,478	1,526	1,949	2,398	2,784	2,993	3,548

Summary for ETFs/ETPs: Global

ETFGI, the leading independent research and consultancy firm on trends in the global ETF/ETP ecosystem, today reported assets invested in ETFs/ETPs listed globally reached a new record high of US$3.546 trillion at the end of 2016 passing the prior record of US$3.444 trillion set at the end of November 2016.

In December, ETFs/ETPs gathered a record level of net inflows US$65.25 billion for December, marking the 35th consecutive month of net inflows. During 2016, ETFs/ETPs listed globally gathered a record amount of net inflows US$389.34 Bn surpassing the prior record of US$372.27 Bn gathered in 2015, according to preliminary data from ETFGI's Year-end 2016 global ETF and ETP industry insights report.

Record levels of assets under management were reached at the end of 2016 for ETFs/ETPs listed in the United States at US$2.543 trillion, in Europe at US$571 billion. In Asia Pacific ex-Japan at US$135 billion, in Canada at US$84 billion and globally.

At the end of December 2016, the Global ETF/ETP industry had 6,625 ETFs/ETPs, with 12,526 listings, assets of US$3.546 trillion, from 290 providers listed on 65 exchanges in 53 countries.

"2016 was an eventful year with a number of unexpected outcomes – the UK vote for Brexit to leave the European Union and the election of Trump as the US President. The S&P 500 gained 12.0% while the DJIA increased 16.5% for the year. All US sectors performed positively for the year, with the exception of Health Care. The VIX declined by a dramatic 22.9%. European equities ended the year up 3.44% Canadian equities ended the year strongly with the S&P/TSX Composite and the S&P/TSX 60 were up 21.1% and 21.4%" according to Deborah Fuhr, co-founder and managing partner at ETFGI.

Asset gathering in December 2016 was very strong with ETFs/ETPs listed globally gathering net inflows of US$65.25 Bn setting a December monthly record. Equity ETFs/ETPs gathered the largest net inflows with US$63.28 Bn, followed by fixed income ETFs/ETPs with US$6.72 Bn, and active ETFs/ETPs with US$1.50 Bn, while commodity ETFs/ETPs experienced net outflows of US$4.24 Bn.

ETFs/ETPs listed globally gathered a record amount of net inflows US$389.34 Bn during 2016 surpassing the prior record of US$372.27 Bn gathered in 2015. Equity ETFs/ETPs gathered the largest net inflows during 2016 with US$231.91 Bn but less than the record US$258.21 gathered in 2015, followed by fixed income ETFs/ETPs which gathered a record level US$111.58 Bn passing the prior record of US$81.65 set in 2014, and commodity ETFs/ETPs which gathered a record level of US$30.85 Bn passing the prior record of US$23.44 Bn set in 2012.

iShares gathered the largest net ETF/ETP inflows in December with US$23.73 Bn, followed by SPDR ETFs with US$18.45 Bn and Vanguard with US$13.34 Bn net inflows.

In 2016, iShares gathered the largest net ETF/ETP inflows with US$138.40 Bn, followed by Vanguard with US$96.79 Bn and SPDR ETFs with US$62.47 Bn net inflows.

Products

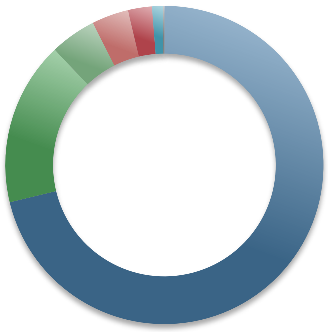
- In December 2016, 54 new ETFs/ETPs were launched by 28 providers. YTD through end of December 2016, 813 new ETFs/ETPs have been launched by 145 providers.
- The top 100 ETFs/ETPs, out of 6,630, account for 57.0% of Global ETF/ETP assets.

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

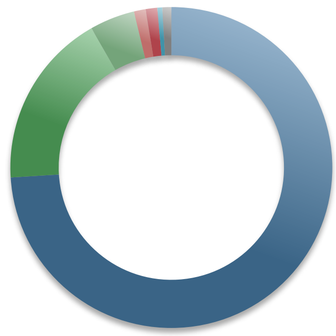
Global ETF/ETP Assets Summary

etfgi.com

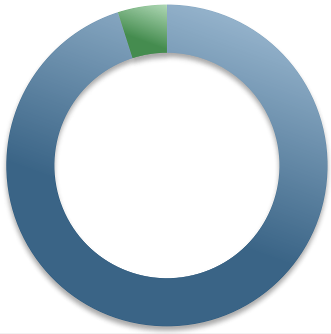
ETF/ETP assets by region listed



ETF/ETP assets by asset class



ETF/ETP assets by product structure



Region	# ETFs/ ETPs	Assets (US$ Bn)	% total
US	1,969	$2,548.8	71.8%
Europe	2,221	$572.6	16.1%
Japan	180	$173.3	4.9%
Asia Pacific (ex-Japan)	974	$129.6	3.7%
Canada	456	$84.6	2.4%
Middle East and Africa	784	$34.3	1.0%
Latin America	46	$4.7	0.1%
Total	**6,630**	**$3,547.9**	**100.0%**

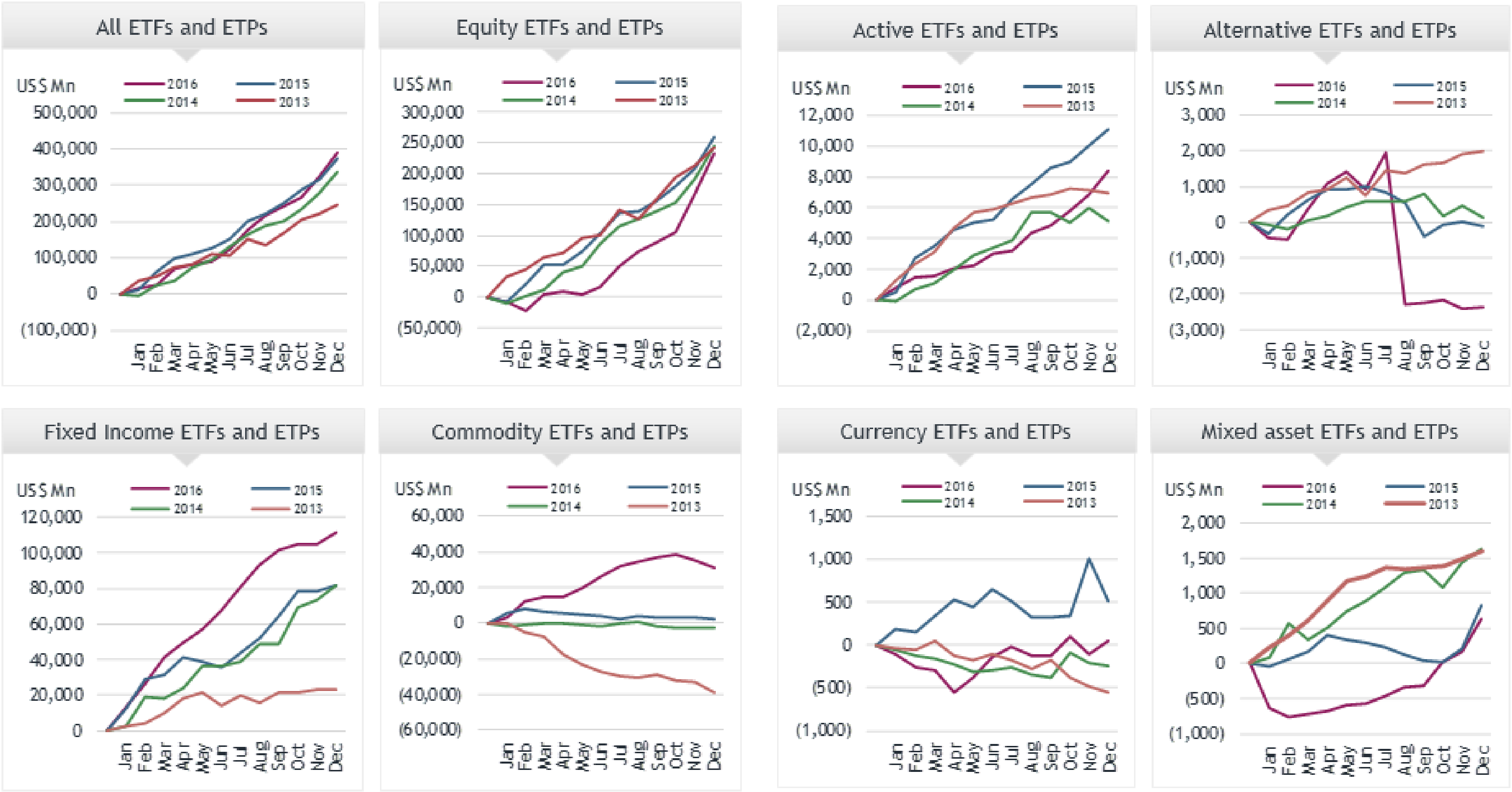
Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
Equity	3,657	$2,691.8	75.9%
Fixed Income	939	$591.0	16.7%
Commodities	694	$139.9	3.9%
Active	304	$43.6	1.2%
Leveraged	388	$37.4	1.1%
Leveraged Inverse	185	$15.6	0.4%
Others	463	$28.6	0.8%
Total	**6,630**	**$3,547.9**	**100.0%**

Asset class	# ETFs/ ETPs	Assets (US$ Bn)	% total
ETF	4,808	$3,396.4	95.7%
ETP	1,822	$151.5	4.3%
Total	**6,630**	**$3,547.9**	**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.

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 $64,886 Mn in December. Year to date, net inflows stand at $389,023 Mn. At this point last year there were net inflows of $372,150 Mn.

Equity ETFs/ETPs saw net inflows of $62,905 Mn in December, bringing year to date net inflows to $231,578 Mn, which is less than the net inflows of $258,193 Mn over the same period last year.

Fixed income ETFs and ETPs experienced net inflows of $6,736 Mn in December, growing year to date net inflows to $111,603 Mn, which is greater than the same period last year which saw net inflows of $81,497 Mn.

Commodity ETFs/ETPs saw net outflows of $4,246 Mn in December. Year to date, net inflows are at $30,848 Mn, compared to net inflows of $2,402 Mn over the same period last year.

Actively managed products saw net inflows of $1,505 Mn in December, bringing year to date net inflows to $8,346 Mn, which is less than the net inflows of $11,032 Mn over the same period last year.

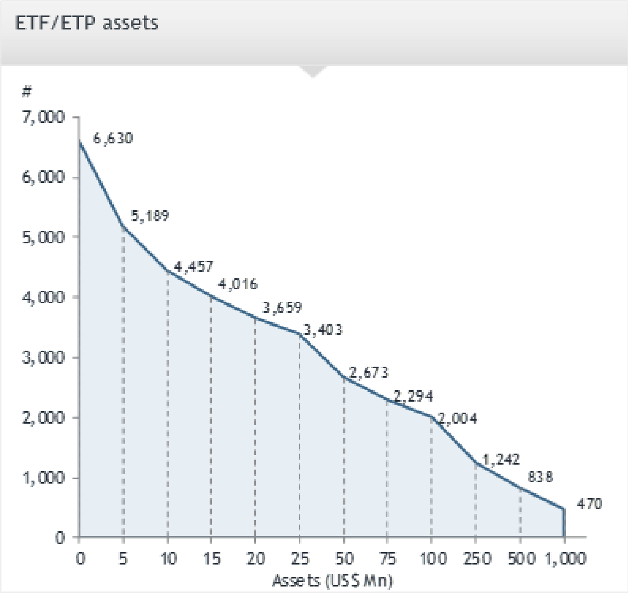
Products tracking alternative indices experienced net inflows of $22 Mn in December, reducing year to date net outflows to $2,387 Mn, which is less than the same period last year which saw net outflows of $104 Mn.

Currency products accumulated net inflows of $161 Mn in December. Year to date, net inflows are at $52 Mn, compared to net inflows of $510 Mn over the same period last year.

Products holding more than one asset class saw net inflows of $476 Mn in December, bringing year to date net inflows to $637 Mn, which is less than the net inflows of $818 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	6,630	100.0%	3,542	100.0%
5	5,189	78.3%	3,539	99.9%
10	4,457	67.2%	3,534	99.8%
15	4,016	60.6%	3,528	99.6%
20	3,659	55.2%	3,522	99.4%
25	3,403	51.3%	3,516	99.3%
50	2,673	40.3%	3,490	98.5%
75	2,294	34.6%	3,467	97.9%
100	2,004	30.2%	3,442	97.2%
250	1,242	18.7%	3,319	93.7%
500	838	12.6%	3,177	89.7%
1,000	470	7.1%	2,917	82.4%

470 ETFs/ETPs have greater than US$1 Bn in assets, while 2,004 have greater than US$100 Mn in assets and 2,673 have greater than US$50 Mn in assets. The 470 ETFs/ETPs with greater than US$1 Bn in assets hold a combined total of US$2,917 Bn, or 82.4%, of Global ETF/ETP assets.

ETF/ETP underlying benchmarks: developed equity

Top 20 by assets

Name	Assets (US$ Mn) Dec-16	NNA (US$ Mn) Dec-16	NNA (US$ Mn) YTD 2016
S&P 500 Index	440,122	17,644	57,639
Nikkei 225 Index	81,968	59	15,056
MSCI EAFE Index	73,007	1,881	(5,050)
TOPIX Index	69,881	2,468	16,104
CRSP US Total Market Index	69,557	777	5,404
S&P Mid Cap 400 Index	54,851	1,673	4,399
NASDAQ 100 Index	46,815	419	(2,665)
Russell 2000 Index	41,831	1,656	7,651
Russell 1000 Value Index	35,775	742	4,009
Russell 1000 Growth Index	33,276	1,026	(300)
MSCI US REIT Index	32,639	417	4,049
MSCI Japan Index	28,968	590	(7,065)
CRSP US Large Cap Value Index	27,125	811	5,061
S&P US 600 Small Cap Index	26,938	1,083	5,033
MSCI World Index	25,734	245	3,776
CRSP US Large Cap Growth Index	23,033	581	1,393
S&P Financial Select Sector Index	22,810	1,249	3,145
NASDAQ Dividend Achievers Select Index	22,364	54	1,193
DAX Index	18,723	(247)	(3,877)
S&P Energy Select Sector Index	17,728	877	2,874

Top 20 by monthly net inflows

Name	Assets (US$ Mn) Dec-16	NNA (US$ Mn) Dec-16	NNA (US$ Mn) YTD 2016
S&P 500 Index	440,122	17,644	57,639
TOPIX Index	69,881	2,468	16,104
MSCI EAFE Index	73,007	1,881	(5,050)
S&P Mid Cap 400 Index	54,851	1,673	4,399
Russell 2000 Index	41,831	1,656	7,651
MSCI EAFE IMI Index USD	15,774	1,302	6,246
S&P Financial Select Sector Index	22,810	1,249	3,145
S&P US 600 Small Cap Index	26,938	1,083	5,033
Russell 1000 Growth Index	33,276	1,026	(300)
Dow Jones Industrial Average Index	15,944	1,013	274
S&P Technology Select Sector Index	14,422	974	(886)
S&P 500 Value Index	13,711	899	2,744
MSCI EAFE Value Index	4,323	894	1,468
S&P Energy Select Sector Index	17,728	877	2,874
FTSE High Dividend Yield Index	17,606	821	3,994
CRSP US Large Cap Value Index	27,125	811	5,061
CRSP US Total Market Index	69,557	777	5,404
Russell 1000 Value Index	35,775	742	4,009
CRSP US Small Cap Index	16,214	672	2,531
Russell 1000 Index	17,709	652	448

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

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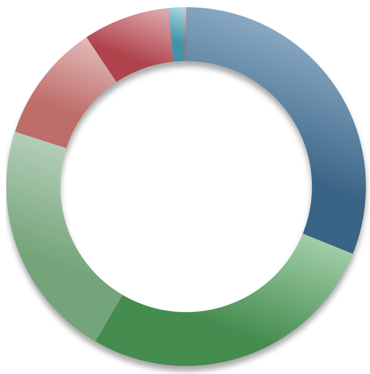
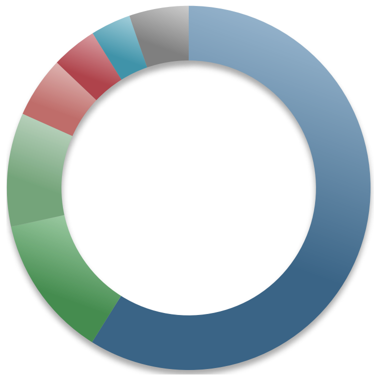
YTD ETF/ETP product launches

ETFs/ETPs by region listed



ETFs/ETPs by asset class



ETFs/ETPs by product structure

Region	# ETFs/ETPs	% total
US	253	31.1%
Asia Pacific (ex-Japan)	222	27.3%
Europe	175	21.5%
Canada	87	10.7%
Middle East and Africa	63	7.7%
Japan	11	1.4%
Latin America	2	0.2%
Total	**813**	**100.0%**

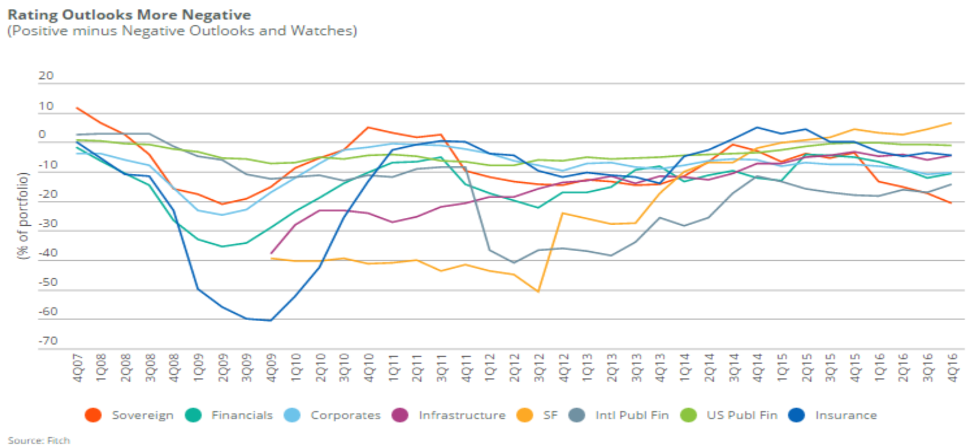
Asset class	# ETFs/ETPs	% total
Equity	479	58.9%
Fixed income	103	12.7%
Active	82	10.1%
Leveraged	44	5.4%
Commodities	33	4.1%
Inverse	29	3.6%
Others	43	5.3%
Total	**813**	**100.0%**

Structure	# ETFs/ETPs	% total
ETF	660	81.2%
ETP	153	18.8%
Total	**813**	**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 Outlooks More Negative



January 2017

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Rating Actions

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

- **[Fitch Rates TPS Shares Issued by Nuveen Closed-End Funds 'AA'] – December 22**
- **[Fitch Rates TPS Shares Issued by Nuveen Closed-End Fund 'AA'] – December 23**
- **[Fitch Affirms Preferred Shares of Western Asset Municipal Closed-End Funds] – January 12**
- **[Fitch Affirms Preferred Shares Issued by 2 Pioneer Municipal Closed-End Funds'] – January 12**
- **[Fitch Affirms VMTP Shares Issued by 5 MFS Municipal Closed-End Funds at 'AAA'] – January 13**
- **[Fitch Affirms VMTP Shares Issued by 3 Delaware Investments Municipal Closed-End Funds] – January 13**

Closed-End Fund review – Fourth Quarter 2016

January 27, 2017

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

2016 Overview

2016 was a very solid year for diversified closed-end fund (CEF) investors with the average fund up 8.59% on a share price total return basis according to Morningstar. Unlike 2015 when most of the gains were limited to municipal CEFs, the gains in 2016 were broad—with many categories posting meaningful total return gains. All equity CEFs were up on average 9.78% and all taxable fixed-income CEFs were up on average 16.68%. Municipal CEFs were only up on average 0.64%. As both LIBOR (London Interbank Offered Rate) and long-term interest rates trended higher the last six months of the year, municipal CEFs struggled and were lower by 10.19% during the last half of 2016 (Morningstar). After lagging in 2015, shorter-duration, credit-sensitive categories really shined in 2016. Indeed, senior loan CEFs were up on average 23.92%, high-yield CEFs were up on average 18.79% and limited duration CEFs were up on average 15.87% on a share price total return basis (Morningstar).

As 2017 commences, the good news from my perspective is that even after a very solid year for many categories of the CEF marketplace, there remain several pockets of opportunities and value that I think CEF investors should focus on (see below). Average discounts to net asset value (NAV) remain wide by historical standards. Indeed, according to Morningstar the average fund was trading at a 6.34% discount to its NAV as of 12/31/2016 and only narrowed slightly from the average discount of 7.86% on 12/31/15.

Three Favored Categories; One Caution Area

I believe the best approach to investing in CEFs is to start with a macro view of the economy, interest rates/bond markets and equity markets. After the “top down” or “macro view” has been formulated, a CEF investor can then focus on the categories they believe are best positioned to perform well given their macro view. After the categories have been selected, that’s when I believe a CEF investor should get much more granular and dive into several key factors about an individual fund. These include valuation, distribution sustainability, leverage structure, portfolio manager track record, etc.

Given First Trust’s macro view for 2017 (as outlined by our Economics Team in this report (http://www.ftportfolios.com/Blogs/EconBlog/2016/12/27/2017-dow-23,750,-sp-2700) of real GDP (gross domestic product) growth of 2.6%, an increase in the CPI (consumer price index) to the 2.5% to 3.0% range, three or four rate hikes, 10-yr Treasury to finish the year at 3.25% and the S&P 500 Index to finish the year at 2700, my favored categories focus on equities and shorter duration fixed-income categories.

With average discounts to NAV still wide at 11.69% (Morningstar as of 12/31/16) for U.S. general equity CEFs, growing S&P 500 Index earnings per share forecasts and our Economics Team’s forecast for higher U.S. equity prices, U.S. Equity Income CEFs still remain a favored category and still represent value and provide high income with growth potential, in my opinion.

Among taxable fixed-income CEFs, I still favor Senior Loan CEFs. Despite being up on average 23.92% in 2016 on a share price total return basis (Morningstar), the underlying asset class still has solid fundamentals (i.e. defaults below historical averages). I believe there still exists the potential for distributions to move higher later in 2017 should LIBOR continue to trend up. As well, the historical steady price of senior loans during periods of rising rates continues to make senior loan CEFs the most attractive fixed-income category this year, in my view. To be clear, while senior loan CEFs remain my favorite fixed-income CEF category for 2017, I am not expecting to earn the 20% plus total returns earned in 2016 and expect more of the total return to come from income and less from capital appreciation.

While U.S. equity income CEFs are my favorite equity income category within the CEF marketplace this year, I also believe investors should have exposure to Global Equity CEFs. While valuation is only one of several factors investors should look at when investing in CEFs, at the present time, the valuation (aka, discount to NAV) of the average global equity CEF is very attractive in my view and for deep value investors warrants a close look. Indeed, according to Morningstar, the average global equity CEF was at a very wide 12.65% discount to NAV as of 12/31/16. There are several reasons discounts to NAV among global equity CEFs remain very wide but one reason is the underperformance out of equity markets in Europe last year. However, at the present time, many blue-chip European equities are trading at more inexpensive multiples than their S&P 500 Index brethren and any upside surprise out of Europe could help the performance of several global equity income CEFs. Anytime you add global equity funds to your portfolio you also add other types of risk, including currency risk, local political risk, etc. However, at this point in time, given the very wide discounts in global equity income CEFs, attractive valuations in Europe and high distribution income stream, I think it is worth taking these potential risks and including global equity

CEFs as part of a diversified CEF portfolio.

Finally, while average discounts to NAV remain decent at 4.20% (Morningstar as of 12/31/16) and yields also remain attractive, I remain cautious about being too over-exposed to long duration, leveraged municipal CEFs, in light of the potential for the Federal Reserve to raise rates three to four times this year (as our Economics Team is forecasting) and with the potential for long-term rates to continue to trend higher. If both short- and long-term interest rates do indeed continue to trend up in 2017 (as they did during the back half of 2016), it could continue to create rough seas for levered municipal CEFs and I think it is important CEF investors remain vigilant about the duration risk in levered municipal CEFs. I prefer more of an investor's municipal bond exposure to be in non-levered municipal CEFs, non-levered municipal ETFs (exchange-traded funds) and portfolios of individual municipal bonds as a way to slightly reduce duration risk relative to levered municipal CEFs.

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January 10, 2017
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January 23, 2017
Jack Otter of Barron's: *Gundlach, Witmer Investment Picks Rising*

January 3, 2017
Steve Blitz of Economist: *Investors, Beware These Slumping Sectors*

January 23, 2017
Bob Pisani of CNBC: *Most successful ETF strategist ever*

December 29, 2016
Jack Hough of Barron's: *3 ETFs for 2017 and Beyond*

2017 Commodity Outlook

December 2016

Authored by:
Maxwell Gold
Director – Investment Strategy
ETF Securities

Summary

- Individual commodities trade on their own fundamentals.
- Near-term pressure on gold and silver to give way as inflation rises faster than interest rates.
- Oil to continue range bound trading in first half until visible signs of production cut-backs emerge.
- Short-term correction in industrial metals to precede gains, while La Niña to place pressure on agricultural prices

Commodities to trade on own fundamentals

While many group commodities as one asset class, in reality each commodity trades on its own fundamentals. Historic correlation between commodities has been relatively low. In this outlook we will provide an overview of our views on major commodities within each sub-category.

Commodity correlation matrix

	Precious Metals	Energy	Industrial Metals	Agriculture
Precious Metals	1.00	0.23	0.38	0.29
Energy	0.23	1.00	0.34	0.24
Industrial Metals	0.38	0.34	1.00	0.37
Agriculture	0.29	0.24	0.37	1.00

Source: Bloomberg, ETF Securities, as of 31 October 2016. Correlation on monthly returns of Bloomberg Commodity Index sub-components from 10/01/96 to 10/31/16.

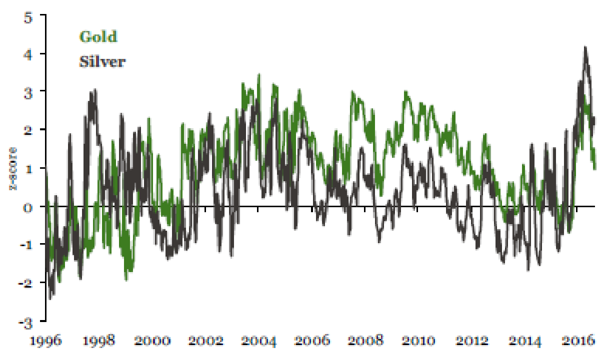
Gold and silver: near term pressure, medium term strength

We believe the US Federal Reserve (Fed) is still on track to raise rates in December 2016. Although there was a degree of political uncertainty in the run-up to the Presidential election, Trump's progrowth policies are likely to be inflationary. In the short-term, gold and silver prices are likely to come under pressure as we approach the rate hike. However, we believe that the Fed will remain behind the curve and inflation will rise faster than the central bank will raise rates, keeping real rates very low. According to the Fed's latest 'dot-plot' of its committee member's assessment of appropriate policy settings, the Fed is only likely to raise rates twice in 2017. Low real rates are gold price positive. We believe that gold's fair value is between the $1400-1450/ounce range.

Silver has a close correlation with gold and hence we expect silver prices to rise. In contrast to gold, which trades like a currency, the physical supply and demand for silver also drives the silver price. Factoring in the decline in mining investment and rising industrial activity, we estimate silver's fair value in the $22-24/ounce range.

Speculative positioning in gold and silver has retreated from highs reached in July, but they remain elevated as investors seek a hedge against geopolitical risk. The Italian constitutional referendum, the French Presidential election and the German parliamentary elections are some of the items on the calendar for the coming year. When and if the United Kingdom (UK) will start the process of leaving the European Union (EU) has still not been resolved. Rising populism poses a threat to stability and investors will look to hedge this risk.

Gold and silver net speculative positioning

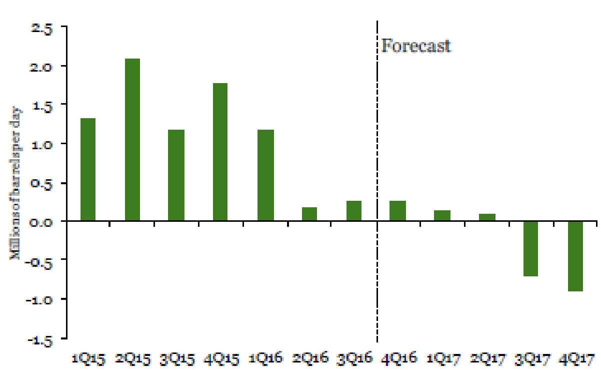


Source: Bloomberg, ETF Securities. Chart data from 03/31/96 to 11/15/16

Oil market still on path to balance

We believe that oil will continue to trade in the $40-55/bbl (barrel) range until visible signs of a production cut-back emerge. The market is coming closer toward a supply-demand balance, but the path will be bumpy. Close to $1 trillion of investment cuts in the oil and gas industry since the start of the oil price crash that began in November 2014 will start to bite into supply in 2017.

Global oil balance



Source: International Energy Agency, ETF Securities as of close 08 November 2016
We assume OPEC tapers its production down to 33 mb/d by Q2 2017

OPEC (Organization of Petroleum Exporting Countries) has also agreed to cut production back to 32.5-33 million barrels (mb) per day of production, down from 33.4mb of production in September 2016. However, OPEC's commitment is contingent on the participation of non-OPEC countries. Preliminary meetings between OPEC and several non-OPEC members have not shown any progress toward yielding a positive result. Large non-OPEC members such as Russia, Brazil and Kazakhstan are seeing new production come online as a result of investment put in many years ago. There are also a large number of OPEC countries looking for exemptions from participating in production cuts, placing the burden on countries like Saudi Arabia and other Gulf Cooperation Council members.

Notwithstanding these difficulties, should OPEC manage to agree on how to apportion the cut at its November 30th meeting and stick to the quota thereafter, we could see the market come to balance as early as Q1 2017. But we believe that it will take until Q2 2017 for OPEC to taper production down to 33mb and the market will balance in Q3 2017.

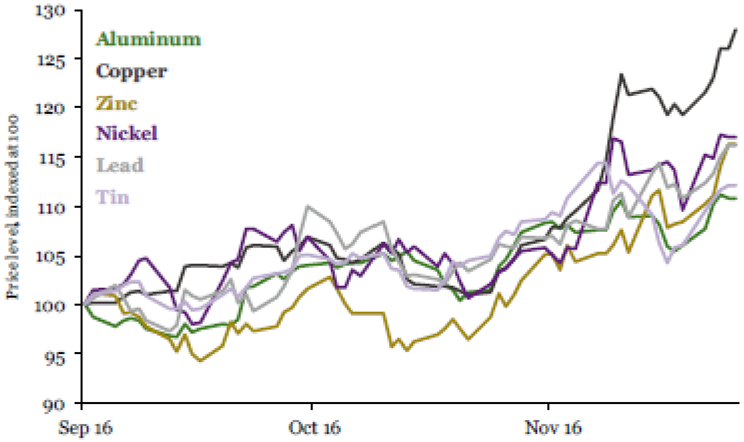
The US will continue to be price responsive. With short-term breakeven prices for shale oil at around $40/bbl we expect to see expansion in US production, which will limit upside on prices to $55/bbl in the first half of the year. President Elect Trump's pledge to pursue energy independence could see US oil production rise. However, it is a 6-year goal and the necessary policy changes to increase production this year may not emerge.

When we see sustained cuts to production in the second half of 2017 and production deficits eat into elevated inventories, oil prices are likely to trade above $55/bbl.

Industrial metal correction before next rally

Industrial metals have had a strong rally in 2016 as supply deficits have become more widely recognized. Even copper, which had a lackluster first half of the year, has been rising sharply in recent weeks. Since not a lot has changed for the metals from a fundamental perspective, we fear that part of the gains reflects a speculative frenzy originating from China that could correct in the short-term.

Industrial metal correction on horizon?



Source: Bloomberg, ETF Securities as of close 25 November 2016

Ahead of the 19th National Congress of the Communist Party of China to be held in Autumn 2017, Chinese authorities will seek political stability. That could mean that the reform agenda could take a back-seat and over-production of several metals could persist in China.

Growing populism elsewhere is likely to increase spending on infrastructure which will boost demand for industrial commodities. For example, President Elect Trump has pledged up to a $1 trillion infrastructure spend (financed through a combination of tax credits and private sector borrowing). We believe that this will drive industrial metal prices higher after the short-term correction that we mentioned above takes place.

Other political risks may also impact industrial metal prices. The Philippine's recent threat of banning ore exports is one of them. However, President Duterte's relationship with the US is likely to improve under a Trump administration and its new political alignment with China will likely keep ore exports flowing, at least to its largest consumers.

La Niña to provide better agricultural growing conditions

A La Niña weather pattern is expected to emerge which will provide cooler temperatures during the Southern Hemisphere summer and reduce heat damage for Arabica coffee, corn and soybean. Current rains have produced a good flowering of coffee bushes in Brazil, setting up for a good crop this year.

Better snow cover in North America during La Niña could also benefit winter wheat growing. Normal levels of rain in India has refilled resevoirs (following the failed monsoon the previous year). Such beneficial conditions will help reduce the sugar production deficit. The EU's scrapping of the sugar prodution quota in October 2017 will increase the supply of sugar beet in Europe and reduce the demand for raw cane sugar, which will also weigh on prices.

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MLP and Midstream Energy Funds: Know What You Own

January 2017

Authored by:
Tyler Rosenlicht
Vice President and Portfolio Manager
Cohen & Steers

Highlights

• Portfolio composition: Of the two types of midstream energy mutual fund structures, RIC funds must limit their investments in MLPs to 25% of their total assets, whereas C-corp funds do not have this restriction. RIC funds generally invest across the broader midstream universe, while C-corp funds tend to favor income-focused strategies.

• Tax treatment: C-corp funds typically offer high, tax-deferred distributions, but must reserve for taxes on unrealized gains, which results in investors facing high gross expense ratios and lower total returns in a rising market. RICs also offer tax-deferred income and do not face the issue of reserving for taxes.

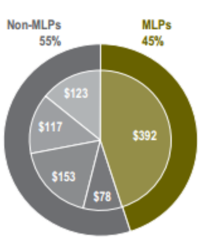
• Performance characteristics: In our view, RIC funds that fully embrace the broad midstream energy universe offer better total return potential than C-corp funds while providing potentially greater flexibility to adapt to changing markets.

For investors in midstream energy, it's important to understand a mutual fund's structure, investment universe and philosophy, as these factors can have a potentially material impact on portfolio composition, after-tax returns and performance characteristics. We believe these considerations could take on greater significance in the current market, giving some funds a structural advantage.

Midstream Investing Is More Than Just MLPs

Before we look at differences in fund structures, it is crucial to understand the composition of the midstream energy universe. Midstream companies feature relatively predictable income streams generated from businesses that gather, process, transport and distribute crude oil, natural gas and natural gas liquids. The midstream space encompasses a broad set of entity structures, including both master limited partnerships (MLPs) and traditional corporations (Exhibit 1).

Exhibit 1: Midstream Universe Goes Beyond Master Limited Partnerships (MLPs)
Market Cap ($ billions)



	Company	Market Cap ($ billions)	Percentage of Market Cap	Select Companies[a]
■	MLPs	$392	45%	EPD, RMP
■	General Partner C-Corps	$78	9%	OKE, WMB
■	Midstream Corporations	$153	18%	KMI, TRGP
■	Canadian Midstream	$117	14%	TRP, ENB
■	Midstream Utilities	$123	14%	SRE, CNP
	Total	**$863**	**100%**	

At December 31, 2016. Source: Bloomberg and Cohen & Steers.

This information is provided for illustrative purposes only and should not be construed as legal or tax advice. You should consult your financial advisor regarding your individual circumstances. The mention of specific securities is not a recommendation or solicitation to buy or hold a particular security and should not be relied upon as investment advice.

(a) Select companies: (EPD: Enterprise Products Partners, represented 4.8% of the Cohen & Steers MLP & Energy Opportunity Fund as of 12/31/16), (RMP: Rice Midstream Partners, 1.7%), (OKE: ONEOK Inc., 0.8%), (WMB: Williams Companies, Inc., 6.6%), (KMI: Kinder Morgan, Inc., 5.2%), (TRGP: Targa Resources Corp., 5.7%), (TRP: TransCanada Corp., 6.3%), (ENB: Enbridge, Inc., 3.0%), (SRE: Sempra Energy, 1.6%), (CNP: CenterPoint Energy, Inc., 0.0%).

• **Master limited partnerships (MLPs):** These are companies formed under U.S. law that do not have entity-level taxation. Because of depreciation adjustments that result in return of capital, they maximize the delivery of tax-deferred income. While the majority of MLPs operate midstream energy assets, a small portion are focused on different segments of the energy value chain or on other sectors, such as financials. We exclude non-midstream partnerships from our investable universe.

• **General partner C-corps (GPs):** GPs manage the operations of MLPs. Though some GPs have elected to be taxed as partnerships, the majority are structured as traditional corporations.

• **Midstream corporations:** With the completion of Kinder Morgan's "roll-up" in 2014, a new segment of midstream corporations was created. These companies own midstream energy assets such as pipelines but have elected to house them in corporations and do not use the GP/LP structure.

• **Diversified utilities:** Certain utilities have significant stakes in natural gas pipeline assets and/or general partnership interests in MLPs, though a substantial portion of their cash flows are derived from the utility assets.

• **Canadian midstream companies:** A number of companies that own both U.S. and Canadian midstream assets are domiciled in Canada. These businesses have similar underlying fundamental drivers to U.S. midstream investments.

How Fund Structure Affects Portfolio Composition

Mutual funds that invest in midstream energy can be structured in one of two ways: as an investment company treated as a traditional corporation formed under Subchapter C (C-corp) or as a regulated investment company (RIC). Knowing the differences between the two types of funds is essential to making informed investment decisions, in our opinion.

C-corps: C-corp funds have no limit on the MLP investments they can hold, and therefore, by design, tend to own mostly MLPs, with perhaps a small sampling of other midstream companies included. Since MLPs are required to distribute substantially all of their cash flow, these funds generally offer high yields, which may make C-corp funds suitable for investors primarily interested in income. However, these portfolios are taxable at the fund level, which generally results in high fund expenses in a rising market (which can hinder performance). Furthermore, as MLPs represent less than half the midstream universe, many of these funds may be underinvested in potentially attractive, non-MLP midstream opportunities.

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Alternatives Update - 4th Quarter 2016

January 23, 2017

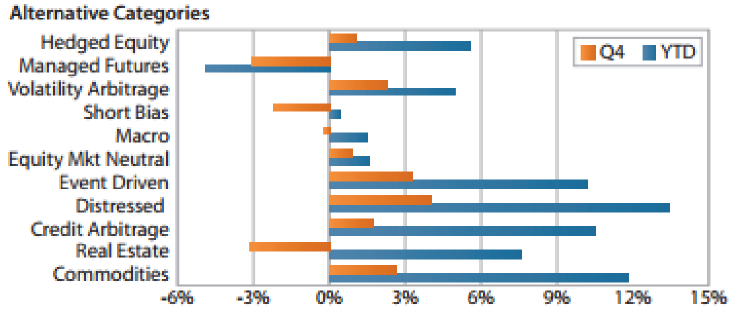
In the 4th quarter, Alternative Investment ("Alternatives") returns were for the most part directionally the same as in the 3rd quarter with commodities being a notable exception by switching from negative to positive. The magnitude of returns were, however, generally more muted (see Figure 1). Year-to-date, ten of 11 categories had positive returns, though short biased was essentially flat for the year. The performance themes in the quarter were fairly clear cut. Equity beta (event driven, volatility arbitrage, hedged equity), credit (distressed, credit arbitrage), and inflation hedging exposures (commodities) did well, while low/negative beta (equity market neutral, macro, managed futures, short bias) and interest rate sensitive exposures (real estate) struggled. As in the 3rd quarter, returns mostly aligned with the rank order correlation to the S&P 500, with real estate and commodities being exceptions (see Figure 2). Real assets (commodities and real estate), which had both done very well in the first half of the year,diverged dramatically in the second half of the year due to their differing interest rate sensitivities amidst a rising rate outlook in the United States. Commodities rallied sharply during the fourth quarter, while real estate headed further into negative territory. Managed Futures continued its elegiac performance posting near bottom returns for the quarter and the poorest returns for the entire year. Managed futures, commodities, and macro have historically shown low correlations to stocks and bonds; thus, they serve as potentially strong portfolio diversifiers. Strategies such as credit arbitrage, event driven, hedged equity, et al., which have higher correlations with equities, provide attractive risk/return profiles through lower volatility. These characteristics may allow investors to broaden their investment choices and create more efficient portfolios. Correlations using monthly returns over the past two years shows these historic relationships remain intact. (Figure 3).

The conclusion of one of the more memorable election cycles led to an impressive turnaround in U.S. equities. The "Risk On"trade which had been ushered in during the 2nd and 3rd quarters waned in currencies but continued for equities and high yield bonds during the 4th quarter. Depending upon your political leanings, one might attribute the capital market's response to one or all of the following explanations: removal of uncertainty, ramped up expectations of pro-growth policies, departure of a business unfriendly/pro-regulation administration or just turning the page and a fresh mental-start to the next four years. The S&P 500,up 3.82% for the quarter, posted a 7.77% gain by year-end from its quarterly low on November 4th. The long end of the fixed income curve continued its yield ascent, but risk indicators such as credit spreads remained benign (Figure 4/Figure 5). Equity volatility in the developed markets trended lower with a slight uptick the last week of the year (Figure 6).

The volatility markets offered a unique take on the Presidential election. While realized volatility moved sharply lower, implied turned sharply higher. As a result, there was a sharp spike in the implied/realized ratio coming into election week (as measured by the option forward curve and spot equity market movements – Figure 7). Once the uncertainty of the election was removed and the markets seemed to be on solid ground and trending higher, implied volatility shifted down. The last two weeks of the year, realized volatility collapsed so the ratio experienced a bit of a spike though likely not signaling much of anything.

Sentiment (the overall attitude of investors and their willingness to risk capital) in the 4th quarter was overall upbeat in tone. The ratio of New Highs to New Lows for the NYSE and for the NASDAQ declined but was still in decidedly positive territory (Figure 8). In December, the Federal Open Market Committee (FOMC) raised ratesfor the first time in 2016 and offered that they saw indications of solid job gains and wage inflation. One could argue that this was all old news to the markets as the long end of the U. S. Treasury curve had risen by almost 100 basis points since June (Figure 9).

Figure 1: **2016 Performance**



Source: Bloomberg, 12/30/16. Past performance is no guarantee of future results. An investor cannot invest directly in an index.

Figure 2: **Correlations (2-Year) & Returns**

	S&P 500	4Q16 Returns
Distressed	0.66	4.02%
Event Driven	0.80	3.24%
Commodities	0.18	2.66%
Volatility Arbitrage	0.61	2.29%
Credit Arbitrage	0.58	1.74%
Hedged Equity	0.88	1.04%
Equity Market Neutral	0.55	0.89%
Macro	0.03	-0.19%
Short Bias	(0.70)	-2.19%
Managed Futures	(0.20)	-3.02%
Real Estate	0.51	-3.11%

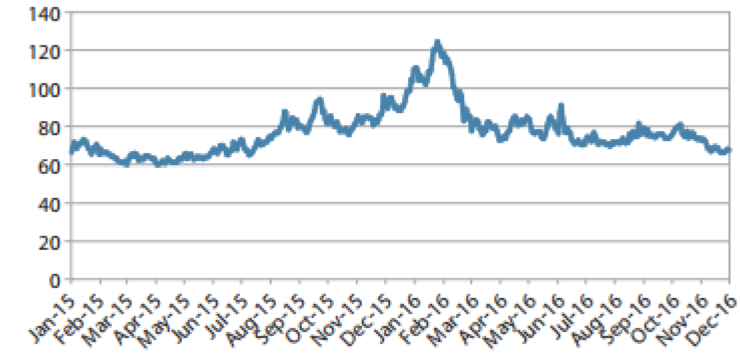
Source: Bloomberg, 12/30/16. Past performance is no guarantee of future results. An investor cannot invest directly in an index.

Figure 3: **Correlations (2-Year)**

	S&P 500	BarCap Agg
Commodities	0.18	(0.16)
Real Estate	0.51	0.55
Credit Arbitrage	0.58	(0.11)
Distressed	0.66	(0.23)
Event Driven	0.80	(0.28)
Equity Market Neutral	0.55	0.00
Macro	0.03	0.61
Short Bias	(0.70)	0.31
Volatility Arbitrage	0.61	(0.13)
Managed Futures	(0.20)	0.60
Hedged Equity	0.88	(0.26)

Source: Bloomberg, 12/30/16.

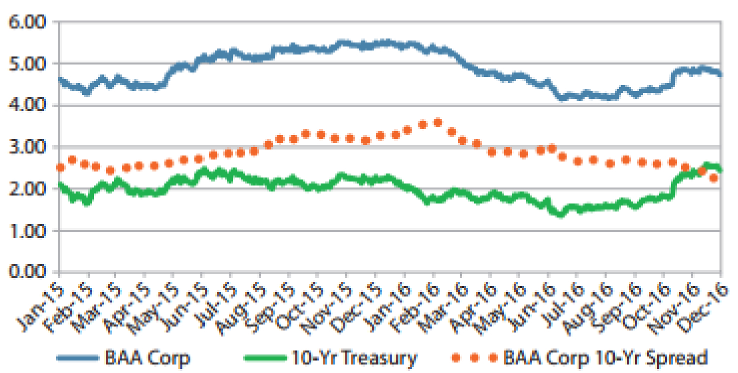
Figure 4: **Investment Grade CDX Spread**



Source: Bloomberg, 12/30/16.

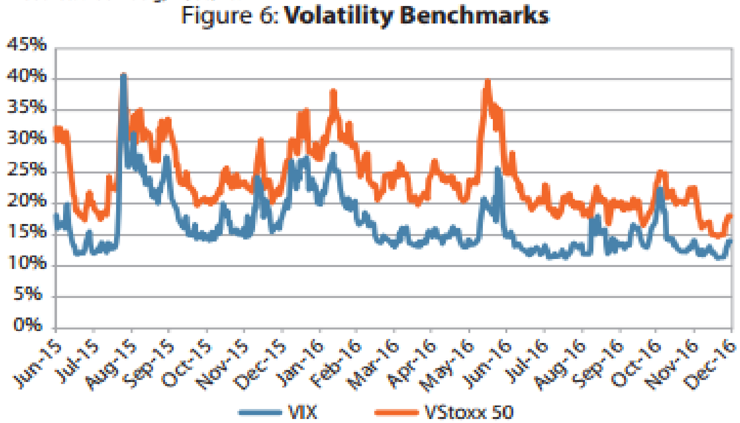
For the fourth quarter, non-currency "Risk On" assets provided dominant performance while all others swooned (Figure 10). The universal underperformance of currenciesis directly a function of the sharp rally in the U.S. Dollar and the expectation of high relative rates compared to the rest of the developed global rate complex, in our view. We believe the data indicates a definitive shift in risk preferences and portfolio repositioning towards risk assets, particularly, U.S.-based risk assets. Given potential for lower regulation, deficit spending, higher rates in the U.S. and continued sluggishness in other global economies, this seems reasonable. We continue to emphasize that Alternatives have historically provided significant diversification benefits when paired with a portfolio of traditional assets, in addition to both competitive absolute returns and attractive risk-adjusted returns.

Figure 5: **Credit Spread vs. 10-Year U.S. Treasury**



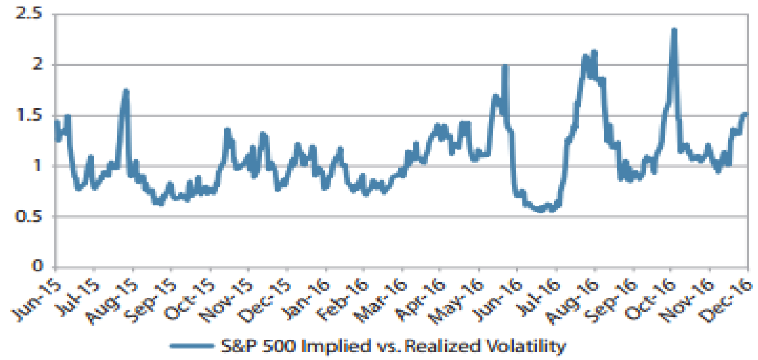
Source: Bloomberg, 12/30/16.

Figure 6: **Volatility Benchmarks**



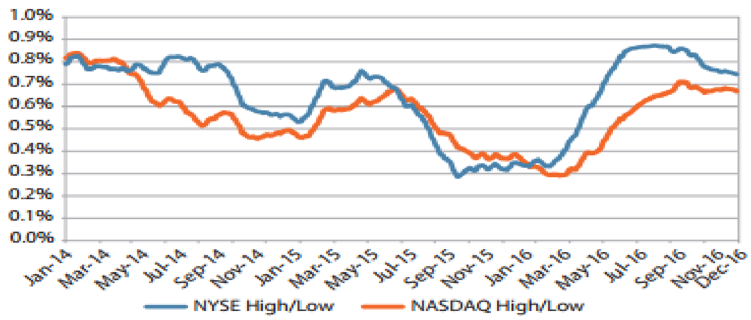
Source: Bloomberg, 12/30/16.

Figure 7: **30-Day Implied Volatility/Realized Volatility**



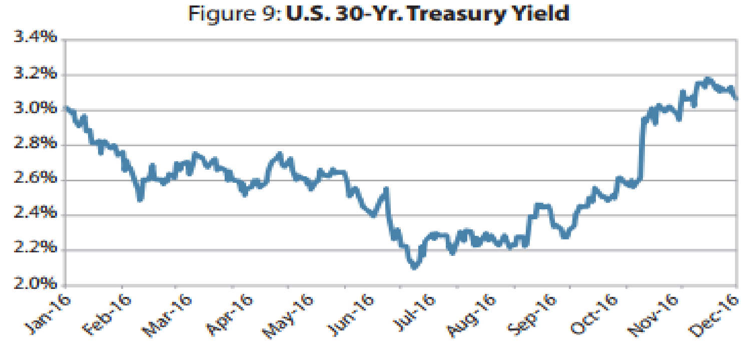
Source: Bloomberg, 12/30/16.

Figure 8: **New Highs/New Lows** *(90-Day Rolling Average)*



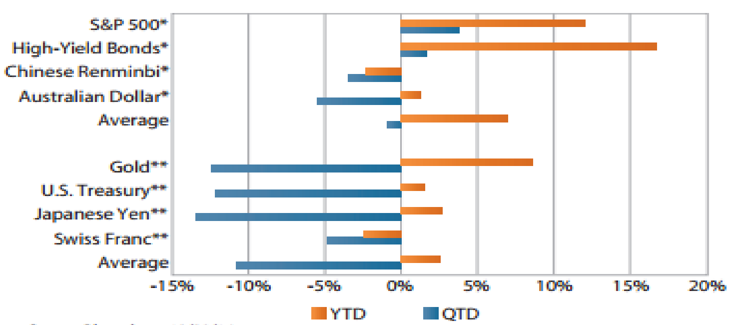
Source: Bloomberg, 12/30/16.

Figure 9: **U.S. 30-Yr. Treasury Yield**



Source: Bloomberg, 12/30/16.

Figure 10: **Risk Off vs. Risk On Asset Returns**



Source: Bloomberg, 12/30/16.
** Considered to be "Risk On" asset class. ** Considered to be "Risk Off" asset class.*

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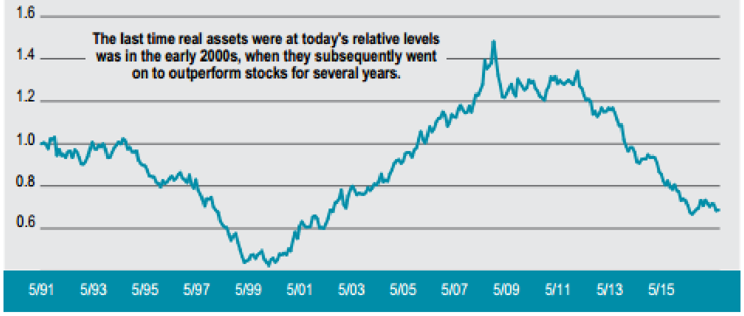
Unlocking Historic Value in Real Assets as the Economy Shifts Gears

January 2017

With prices of U.S. financial assets near all-time highs, we believe real assets offer an investment opportunity in inexpensive assets poised to move higher. The two views of relative value shown below offer a similar takeaway: real assets appear significantly undervalued on a historical basis. We believe the combination of a strengthening economy, rising inflation prospects and attractive relative value signal a potentially compelling opportunity for allocating to real assets.

Exhibit 1: Diversified Real Assets vs. U.S. Stocks[a]

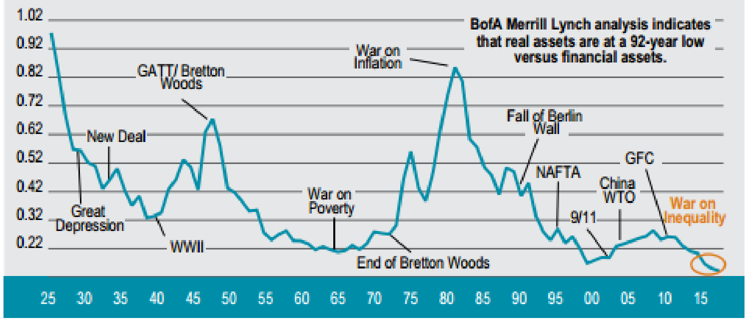
Relative Total Return



At December 31, 2016. Source: Bloomberg, Cohen & Steers.

Exhibit 2: Real Assets vs. Financial Assets[b]

Relative Price



At October 16, 2016. Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data, Bloomberg, USDA, Savills, Shiller, ONS, Spaenjers, Historic Auto Group.

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

a) Diversified real assets: equal-weighted blend of global real estate securities (FTSE/EPRA Developed Real Estate Index), commodities (S&P GSCI through July 1998 and Bloomberg Commodity Index thereafter), global natural resource equities (S&P Global Natural Resources Index) and global listed infrastructure (Dow Jones Brookfield Global Infrastructure Index). Stocks: S&P 500 Index. (b) Real assets: U.S. and U.K. housing and timberland, commodities (Thomson Reuters/ CoreCommodity-CRB Index) and collectibles (art, cars, diamonds, wine). Financial assets: large-cap stocks (S&P 500 Index) and long-term U.S. Treasury bonds. See back page for index definitions and additional disclosures.

Two Perspectives of Value

Cohen & Steers' real assets investment framework includes what we consider to be the "core four" categories: global real estate securities, commodities, global natural resource equities and global listed infrastructure. The top chart compares the total return of an equal-weighted portfolio of these assets versus the S&P 500. The result shows that real assets are at their lowest relative level in more than a decade.

BofA Merrill Lynch offers a longer-term perspective on real assets, using a universe comprised of real estate, commodities and collectibles. The bottom chart compares prices of real assets (real estate, commodities and collectibles) versus financial assets (stocks and bonds). Based on this measure, real assets are at a 92-year relative low.

Reflation Trends Offer Potential Catalysts in 2017

From these relative lows, we believe real assets are primed to outperform as economic growth and inflation accelerate, finally emerging from the long shadow of the 2008-09 global financial crisis. We see inflation moving higher due to a strengthening business cycle, the prospect of tax cuts and fiscal stimulus under the Trump administration, rising food and energy costs, rising wages and slowing global trade. Additionally, we expect commodity markets will continue to rebalance as producers rationalize supply, driving commodity prices higher.

Building an Allocation to Real Asset Classes

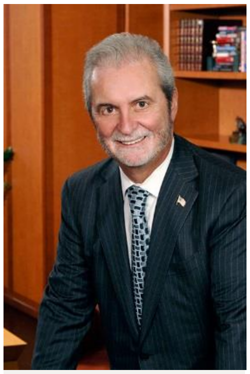
While many investors use single-strategy mutual funds for gaining exposure to real assets, separate categories can be volatile on their own and require individual monitoring. We believe investors can benefit from a bundled approach that invests in multiple asset classes.

Cohen & Steers offers an integrated solution that leverages our institutional expertise in real assets. Our disciplined investment process combines bottom-up stock selection with dynamic top-down asset allocation to further enhance potential returns. This approach allows investors to implement a well-diversified allocation to real assets through a single holding, managed by specialists with a deep understanding of the asset classes.

Click here for complete reading

Economic Outlook

January 2017



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

Entering 2017, we are increasingly optimistic about the prospects for the U.S. and global economies. Fundamentals are improving, with higher GDP growth and increasing inflation expectations set against still-accommodative monetary policy and a move toward fiscal stimulus. That said, the economy and markets are not the same. Investors have already pinned high hopes on the Trump administration's ability to ramp up U.S. growth and corporate profits (Figure 1), but the markets may well have gotten ahead of themselves over the short term. Also, transforming election promises into policies won't happen overnight, and we expect volatility as policies are hammered out. Finally, many of the risks that dogged the markets in 2016 have not gone away, including global political uncertainties, coordination of central bank policies, the longer-term impact of Brexit and other populist movements, and turmoil in the Middle East.

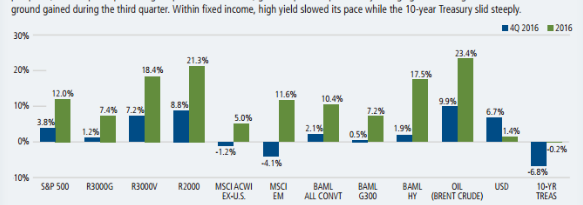
United States

U.S. economic fundamentals improved notably over the past year. Recessionary pressures abated and growth is likely to be stronger in 2017 than 2016. Trends in manufacturing data, consumer confidence, housing and auto sales are positive, and we expect deregulation to contribute to productivity gains. Inflation is likely to move moderately higher, but not to levels that are beyond control. The Federal Reserve doesn't appear in a hurry to raise rates dramatically. Currently, our base case is two rate increases for 2017, noting that historically, the Fed has tended to foreshadow more activity than it has delivered.

Over recent years, fiscal policy has not provided a tailwind to GDP growth (Figure 2). With the U.S. presidential election behind us, we expect pro-business fiscal policy can provide a stronger catalyst for sustainable expansion over the next several years. We anticipate that reduced regulation and new tax policies, once implemented, can drive growth in the corporate sector and encourage responsible risk taking with capital.

FIGURE 1. GLOBAL ASSET CLASS PERFORMANCE, 4Q AND 2016

During the fourth quarter, investors flocked to cyclical and value oriented equities. Reflecting increased confidence in the U.S. economy's prospects, small caps outpaced large caps. Outside the U.S., global equities—particularly emerging markets—gave back some of the ground gained during the third quarter. Within fixed income, high yield slowed its pace while the 10-year Treasury slid steeply.

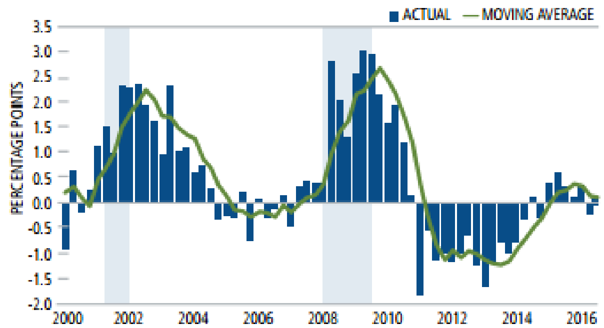


Past performance is no guarantee of future results. Source: Bloomberg.

Trump's policies have not yet been set forth in detail, but the reflation trade looks set to continue. Over recent months, we have increased our positioning in cyclical growth names (such as industrials, materials and energy), while still maintaining secular growth exposure. We see growing opportunities in financials, where rising long-term interest rates and the potential for less regulation provide tailwinds. Within technology, we have increased our emphasis on cyclical growth areas, but still own traditional high-growth names within the sector.

FIGURE 2. U.S. FISCAL POLICY HAS HINDERED GDP IN RECENT YEARS

HUTCHINS CENTER'S FISCAL IMPACT MEASURE (FIM), CONTRIBUTION OF FISCAL POLICY TO REAL GDP GROWTH



Source: Hutchins Center calculations based on BEA data (https://www.brookings.edu/interactives/the-fiscal-barometer/). As defined by the Hutchins Center, the FIM "is a gauge of the contribution of federal, state, and local fiscal policy to near-term changes in the gross domestic product, the tally of all the goods and services produced in the economy. It includes both the direct effects of government purchases as well as the more indirect effects of government taxes and government transfers. When FIM is positive, the government is contributing to real GDP growth, and when it is negative, it is subtracting from it." (Source: https://www.brookings.edu/research/the-hutchins-centers-fiscal-impact-measure)

Although we believe that 2017 is setting up to be a better year for the U.S. economy, our outlook for the equity market is more cautious. Given the post-election strength in equities, we would not be surprised to see a pause or pullback as investors digest the first few months of the new administration. President-elect Trump's comments have raised concerns of protectionist policies and trade wars, and these fears could stoke volatility in the market. Also, the strong dollar may also take some wind out of the sails of U.S. multinationals. Reflecting these concerns, we have remained attentive to quality and valuation as we have added names poised to deliver a better opportunity set in a higher-growth economy.

Global and International

In our global and international strategies, we seek companies that provide increased cyclical growth exposure while still offering the sustainable fundamentals we require, such as catalysts for improved margins, profits and earnings. This tilt has led us to energy, industrials and financials. In contrast, we are underweight staples, telecommunications and utilities. We continue to find opportunities in technology but have shifted some secular growth exposure in favor of increased cyclical growth.

From a regional perspective, we currently favor the United States, in line with our view that fiscal policy, reduced regulation and new tax policies can boost economic growth. We have invested in U.S.-domiciled companies and non-U.S. companies with significant revenue exposure to the U.S., such as exporters domiciled in the euro zone and, to a lesser extent, Japan. Our overall positioning in the euro zone reflects a more cautious view informed by mixed data. We are encouraged by improving economic fundamentals, stimulative monetary conditions, and reasonable equity valuations. These positives are tempered by concerns over the continuing effectiveness of ECB monetary policy, political uncertainties, the rise of nationalist movements, the path of Brexit, and the long-term sustainability of the euro. Meanwhile, economic conditions in Japan are more challenged, with Abenomics having yielded only mixed results. Weak growth and deflationary pressures persist, but monetary conditions are highly accommodative and valuations are supportive. In regard to positioning, we have found bottom-up opportunities in companies with improving capital allocations and growth potential.

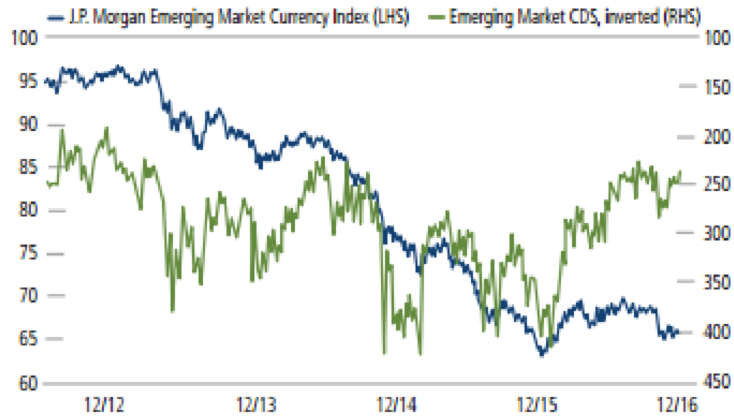
Emerging markets have faced added pressure since the U.S. elections, and we are monitoring the potential impacts of the stronger dollar, rising U.S. interest rates, and policy developments. Of note, while emerging market currencies have weakened more recently on the back of dollar strength, credit default swaps (CDS) have improved (Figure 3), likely because better global growth prospects reduce the perceived credit risk in emerging markets. If emerging market CDS continue to improve and stabilize at these levels, we should see emerging market currencies begin to improve as well, which would be a positive tailwind for emerging market equities in 2017.

Selectivity remains key, as fundamentals vary. We see plenty of supportive developments but many unique challenges. Our current emerging market positioning favors companies with strong domestic demand and countries pursuing economic reforms. Commodity consumers are well represented in our portfolios, but commodity price stabilization and higher growth and inflation expectations provide a more hospitable macro landscape for commodity producers. From a country standpoint, we are constructive on India (see our post) and Mexico—as we believe both markets are positioned for a reversion to the mean after having been penalized unduly by shorter-term sentiment. We maintain a commitment to China; valuations have cheapened and we've seen a relative pick-up in economic data, particularly in regard to trends in discretionary consumer products. More opportunities have emerged in Russia as improved commodity pricing and the potential for less fractious foreign relations support better prospects for companies that meet our fundamental criteria.

Convertible Securities

In 2016, convertible securities captured a substantial measure of the equity market upside. Issuance was also healthy, with $77.2 billion coming to market, led by the United States with $36.3 billion. Looking to 2017, convertible securities offer considerable potential in an environment characterized by economic growth, rising interest rates and upwardly moving, albeit volatile, equity markets. This is because convertibles have demonstrated greater resilience in periods of rising rates versus high-quality nonconvertible debt. Also, a rising rate environment could spur increased issuance as companies seek to access the capital markets at lower borrowing costs.*

FIGURE 3. EMERGING MARKET CDS TRENDS: FORESHADOWING EM CURRENCY IMPROVEMENTS?



Source: Macrobond

Within our convertible portfolios, we are favoring U.S. over non-U.S. names and finding more smaller-cap opportunities. While we continue to invest in secular growth companies, particularly within technology, we've increased cyclical exposure across sectors. We've built positions in energy, materials, and industrial companies that can benefit from infrastructure spending, deregulation and increased inflationary expectations. We've sought names we believe can capitalize on domestic energy independence, domestic manufacturing and a strong national defense. Consumer discretionary remains an important theme in our portfolios, but we have been highly vigilant to crosscurrents (for example, the likelihood of increased resistance to minimum wage legislation and greater focus on domestic manufacturing) and their impact on different segments of consumer activity.

Fixed Income

After a prolonged period of historically low interest rates, the Fed has begun raising short-term rates and longer-term rates have started to move higher. While rates may drift higher over the first few months of the year, we believe fears of protracted long-term rate jumps may be overdone. Investors typically think of short-term rates and long-term rates rising in tandem, but in reality, parallel rate rises have been quite rare. In our view, longer-term rates are not likely to soar, as accommodative monetary policies and purchase programs from other global central banks help to keep U.S. long-term rates in check. Additionally, we believe long-term interest rates are unlikely to bottom until the next recession, which we see as an unlikely scenario for 2017.

As investors sort out the evolving dynamics in the bond markets, sentiment may overshoot or undershoot fundamentals, creating opportunities for active managers to capitalize on dislocations.

Click here for complete reading

Fund Updates

- Distribution Dates and Amounts Announced for Certain BlackRock Closed-End Funds – December 19
- BMO Asset Management Inc. Announces Cash Distributions for BMO Exchange Traded Funds – December 19
- Cohen & Steers Closed-End Funds Declare Distributions for January, February and March 2017 – December 21
- Cushing® Energy Income Fund Announces Monthly Distribution – December 7
- Cushing® MLP Total Return Fund Announces Monthly Distribution – December 7
- Certain Deutsche Closed-End Funds Declare Monthly Distributions – December 9
- Dreyfus Closed-End Funds Declare Distributions – December 29
- Duff & Phelps Closed-End Funds Announce Dividends – December 15
- Eagle Growth and Income Opportunities Fund Declares Monthly Distribution of $0.083 Per Share – December 9
- Eaton Vance Declares Early Monthly Distributions for Certain Eaton Vance Closed-End Funds – December 19
- Federated Investors' Closed-End Municipal Funds Declare Monthly Dividends – December 9
- First Asset Closed-End Funds Estimated Distributions for Year-End 2016 – December 19
- First Trust Advisors L.P. Announces Distributions for Exchange-Traded Funds – December 20
- First Trust Enhanced Equity Income Fund Declares Quarterly Distribution of $0.24 Per Share – December 12
- Flaherty & Crumrine Investment Grade Fixed Income Fund Declares Special Year End Distribution – December 16
- Middlefield Healthcare & Wellness Dividend Fund Distribution – December 5
- Certain Morgan Stanley Closed-End Funds Declare Year-End Dividends – December 13
- Neuberger Berman Closed-End Intermediate Municipal Funds Announce Monthly Distributions – December 15
- The New Ireland Fund, Inc. Update to Quarterly Distribution – December 13
- Pioneer Investments Declares Monthly Distributions for Closed-End Funds – December 20
- RiverNorth/DoubleLine Strategic Opportunity Fund, Inc. Declares Monthly Distribution of $0.11 per Share – December 6
- The Swiss Helvetia Fund, Inc. Declares Income Distribution and Announces 2017 Stock Repurchase Program – December 5
- Tortoise Index Solutions Announces Distribution for Exchange Traded Fund - December 28
- Additional Income Distributions for VanEck Vectors ETFs – December 27
- Voya Equity Closed End Funds Declare Distributions – December 15
- Wells Fargo Closed-End Funds Declare Monthly Dividends – December 30
- WisdomTree ETFs Declare Distributions – December 23

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