13th Annual Capital Link Closed-End Funds and Global ETFs Forum
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The Metropolitan Club, One East 60th St.,New York City

Capital Link

HIGHLIGHTS FROM CAPITAL LINK'S 13th ANNUAL CLOSED-END FUNDS & GLOBAL ETFs FORUM

CONFERENCE NOTES
THURSDAY, APRIL 25, 2014

On Thursday, April 24, 2014, at the Metropolitan Club in New York City, Capital Link hosted another prestigious and hugely successful Closed-End Funds & Global ETFs Forum for the thirteenth year in a row. The event was organized in cooperation with the NYSE Euronext. As in previous years, it attracted more than 1,000+ delegates comprised mainly of financial advisors and wealth managers, institutional investors, portfolio managers, analysts, media and other industry participants, who gathered to discus, debate and exchange information on critical industry topics, and to network.

OPENING ADDRESS

Michael Taggart, CFA, *VP, Director of Closed-End Fund Research Closed-End Funds & Global Structured Products* at **Nuveen Investments** kicked off the Closed-End Fund (CEF) program by sharing his views on the **state of the CEF Industry in 2014.**

Michael Taggart

Summary: The closed-end fund market is reflecting a heightened state of investor uncertainty. A year ago in April 2013, the average discount for all closed-end funds was about 2%. Subsequent concerns about interest rate increases sent discounts wider, as did a sharp downturn in the autumn ascribed to tax loss selling. Despite the rebound in the average market price discount since mid-December, the current closed-end fund average discount of 6.8% (as of April 30) is still below its ten-year average of 4%.

However, it is key to understand that closed-end funds are a diverse group, and averages mask disparities. Fixed-income closed-end funds were generally down in 2013 (in terms of price performance), while the U.S. equity-focused and sector focused funds generally performed well, due to strong underlying markets driving generally strong CEF NAV performance. As a result, fund discounts in those categories have held tighter to their long-term averages. With different underlying asset class behavior primarily driving performance, it's no surprise that total returns and discounts vary from group to group. Given the heightened uncertainty in the overall marketplace, though, it is not surprising to see investor anxiety leading to wider discounts across the board.

Many closed-end fund investors are income-oriented and therefore most interested in a fund's distribution rate. While we continue to see more distribution reductions than increases in fixed-income oriented closed-end funds, the pace of the reduction announcements slowed in the first quarter. Furthermore, while 2013 distribution reductions tended to be reflect large cuts as a percentage of the distribution amount, we are now seeing more single-digit percentage changes. This suggests that funds generally may be properly positioned to meet their distribution targets in this current, transitional environment.

All of this heightened uncertainty, the transitional environment, discount ranges, and historical total return performance in various sectors points to potential opportunities in the market.

Deborah Fuhr, *Managing Partner* of **ETFGI LLP** opened the Exchange-Trade Fund (ETF) program of the Forum by sharing her views on the **state of the ETF Industry in 2014.**

Summary: Historic and forecasted strong absolute and relative growth for ETFs puts them on center stage. ETFs have been one of the most useful financial innovations developed in the past 25 years. At the end of Q1 2014 there were 5,203 ETFs/ETPs, with 10,217 listings, assets at US$2.449 Trillion a record high, from 220 providers listed on 59 exchanges.

Deborah Fuhr

We have continued to see growth in assets, new products including Smart Beta better call factor based, alternative assets and active, users, exchanges, index providers, providers and brokers supporting the ETF eco system all increased in the past year.

ETFs are a democratic product, offering an array of exposures - to developed, emerging and frontier markets and various asset classes in a transparent, liquid, cost efficient means, with intra-day pricing and trading, tax efficiency (in the US), with a small minimum investment size in a fund structure that makes them appeal to institutional, financial advisors and retail investors, which is very unusual in the financial industry. Adoption by new investors has been strong, our analysis found a 92% increase in the number of institutions reporting using one or more ETFs or ETPs, rising from 1,752 institutions globally in 2005 to 3,367 in 2012.

Many investors have and are discovering the relative benefits of the ETF structure over traditional mutual funds as well as over hedge funds. The first mutual was launched in the United States in 1924 - 90 years ago - or 69 years before the launch of the first ETF in the US in 1993. ETFs have grown to account for over 7% of global mutual fund industry assets up from just less than 3% in 2007.

ETFs are also winning investor wallet share relative to hedge funds. The first hedge fund offering a long/short strategy was launched in 1949 or nearly 65 years ago or 42 years before the first ETF was launched in Canada in 1990.

According to the recent HFR Global Hedge Fund Industry Report, assets invested in the global hedge fund industry increased by 16.7% to a record $2.63 trillion invested in the 8,190 single manager hedge at the end of 2013 – only slightly larger than the $2.398 trillion invested in ETFs/ETPs. The net inflows of $63.7 billion in 2013 were nearly double the net inflows of $34.4 billion in 2012 but less than the $70.6 billion in net inflows 2011.

The fees charged by the majority of hedge funds are 2% of assets and 20% of the profits and liquidity is often on a restricted and infrequent basis. The performance of many hedge fund strategies and many hedge funds has not been very good over the past few years. The HFRI® Fund Weighted Composite Index posted a gain of +9.2 percent in 2013, the best calendar year performance since 2010. At the end of 2013 the average hedge fund has made 9.2 per cent, compared with a return of 22.5 per cent for the MSCI world index and 32.5 per cent for the S&P 500. With the positive performance of equity markets in 2013 - 22.55% for MSCI world and 32.5% for the S&P 500 index many investors have been satisfied with index ETF returns and fees.

We expect that traditional ETF asset growth will continue at a 20 – 25% growth rate over the next few years due to the increase in index investing, the increasing use of ETFs by RIAs, ETF strategists or ETF managed portfolios, the increasing pressure on costs and cost transparency, regulatory changes requiring ETF trades to be reported on exchange and further opening of distribution channels through financial advisors and platforms.

There are a few initiatives that could see ETF assets grow at a much faster rate than 20 – 25%: adoption of ETFs within 401K and other DC plans, less-transparent active ETFs and/or approval of ETFMs (Eaton Vance’s Exchange Traded Managed Funds concept).
All of the above combined with the fact that it takes time and money to build an ETF Ecosystem in each country and region is causing traditional asset managers to reconsider if and how they should participate in the ETF industry and many existing ETF managers to look at how they might expand to new jurisdictions globally.

- Create and offer products that use existing ETFs as the solution building blocks for funds, sma’s, etc

- Alliances with an ETF provider – asset managers and ETF managers partnering with existing ETF providers to launch new strategies or enter new markets. Examples: MFS and Blackstone/GSO with SSgA, TCW with Emerging Global Advisors, Fidelity with BlackRock (Fidelity has launched their own family of ETFs), Pimco, hedge fund Man GLG, LGIM, CSOP with Source (in the US PIMCO has launched a new family of ETFs), Western Asset Management with Wisdom Tree, Deutsche Asset & Wealth Management with Harvest Global Investments and PowerShares, KraneShares with Bosera Asset Management, Market Vectors with China Asset Management

- Acquire an ETF provider - Examples: iShares acquired CSAM’s European ETF business and Claymore’s Canadian ETF business, Invesco acquired Powershares, Guggenheim acquired Claymore (US) and Rydex, Warburg Pincus is acquiring a majority stake in Source, Wisdom Tree is acquiring a majority stake in Boost to enter Europe

- Launch a new family of ETFs – Fidelity, Franklin Templeton, PIMCO

All of the above points to a very bright future for ETFs.

MORNING SESSIONS

FIXED INCOME INVESTING- Introduced by Daniel Brown, *CFA, CEF & ETP Analyst, Advisory Services Group* - Wells Fargo Advisors

“Preferred & Hybrid Securities: Why Active Management is Important” –
Scott Fleming, *President & CIO* - Stonebridge Advisors LLC

Summary: In addition to having attractive yields and low correlations relative to other fixed-income products, the Preferred & Hybrid Securities market is made up of many securities of various structures, which lends itself to active management of investor portfolios. Investors have the choice of moving higher or lower in the issuer’s capital structure depending on their view of credit risk, and they can also move to securities with different durations to help manage interest rate risk without having to use derivatives. There are also two different markets within the space; retail-listed securities and institutional securities that trade OTC-like bonds. Managers focused on the entire market can often find market inefficiencies within the retail market relative to the institutional market and vice versa.

Scott Fleming

Stonebridge Advisors is the sub-advisor on both an actively managed ETF and CEF outstanding. The ETF is called the First Trust Preferred Securities & Income ETF (FPE) and is the only preferred and hybrid securities ETF that is actively managed. We can adjust the ETF portfolio to help protect client capital in most any market environment. The CEF is called the First Trust Intermediate Duration Preferred & Income Fund (FPF). Both FPE and FPF currently have positioned their portfolios with high weightings in institutional and retail fixed-to-floaters in order to outperform the general market in a rising interest rate environment with relatively short portfolio durations. A key factor is we have maintained market yields while shortening duration to lower than 5 years.

"CEFs / Fixed Income" - Michael Taggart, CFA, *VP, Director of Closed-End Fund Research Closed-End Funds & Global Structured Products* – Nuveen Investments

Summary: Since most closed-end funds use both leverage and fixed-income strategies, and most closed-end fund investors are income-oriented, we are not surprised at the questions about the effects of rising interest rates on closed-end funds. In particular, investors are concerned about the effects on their fund's distribution, and we believe that concern has increased uncertainty and caused wider trading discounts for closed-end funds. The general assumption seems to be the following: rates will rise, leading to increased leverage costs, leading to falling earnings, leading to falling distribution amounts. As may often be the case, this line of thinking is incomplete, at best.

A study of the Federal Reserve's past three interest rate tightening cycles and their effect on both distributions and total returns for leveraged, national municipal, long duration closed-end funds offers some insight about historical distribution changes during those times. We see three key takeaways:
1) a myopic focus on short-term rates obscures the fact that these funds' distributions are driven by the spread between long-term rates and short-term rates;
2) the long-end of the yield curve typically drives portfolio value for this set of funds, so long-term rates are arguably more important than short-term rates for both total return and distributions; and,
3) investors need to form their own views about what will drive the long end of the yield curve and make their investment decisions accordingly.
To focus exclusively on the effects of increasing short-term rates is the wrong way to think about what drives both distributions and total returns for leveraged, fixed-income closed-end funds.

"Putting Cash to Work with PIMCO ETFs" – Jerome Schneider, *Managing Director, Head of PIMCO's Short-Term & Funding Desk, & Lead Portfolio Manager for PIMCO Enhanced Short Maturity ETF (MINT) & PIMCO Low Duration ETF (LDUR)* – PIMCO

Jerome Schneider

Summary: After a decade, a $100k investment may earn as little as $200 in money markets at current levels vs. more than $5,000 in short-term bond strategies. Given this dynamic, investors are increasingly discerning about their cash needs and investment choices. In this presentation, PIMCO's Jerome Schneider discusses the role of short-term investments within a tiered cash management strategy and how these strategies can help address investors' range of needs. Two short-term, active ETF options that offer liquidity and downside protection, while retaining potential for capital appreciation are PIMCO Enhanced Short Maturity ETF (MINT) and PIMCO Low Duration ETF (LDUR).

"Flexible Credit Funds: How a Dynamic Allocation Can Help Navigate a Variety of Market Environments" – Keith Ashton, *Portfolio Manager* – Ares Management

Keith Ashton

Summary: Fixed income investors today struggle to earn an attractive yield while defending themselves against evolving market risks. For example, expectations for higher rates in the future suggest taking a defensive posture on rates today. Unfortunately many investors are lured into taking long duration bets, or greater investment risk, in order to achieve a higher return. Ares Dynamic Credit Allocation Fund (NYSE:ARDC) and Ares Multi-Strategy Credit Fund (NYSE: ARMF) are designed to address these challenges head-on. Both funds dynamically allocate amongst bank loans, high yield bonds and collateralized loan obligations so that as market conditions change, investors can be well positioned for the risks and opportunities of the day. Ares' approach to value investing, driven by broad-spectrum, fundamentals-driven credit research, permits Ares to construct and manage these credit portfolios to produce attractive returns while managing the market risks that are of greatest concern. This approach is critical to successfully navigating today's evolving market environment, and capturing the value it offers.

"Preferred Securities - High Income with Attractive Relative Value" - William Scapell, *EVP, Portfolio Manager & Director of Fixed Income* - Cohen & Steers

Summary: Like many fixed income investments, preferred securities started 2014 strongly, rebounding somewhat in January from price pressures felt in 2013. William Scapell, Director of Fixed Income at Cohen & Steers explains how preferred securities offer high income rates (often with tax-advantaged dividend income), wide credit spreads and potentially much lower interest rate risk than many other fixed income assets. He discusses the different types of preferred securities that are available to active managers that can access the full global investment universe and talks about their importance to increasing the potential for attractive total returns.

William Scapell

TOTAL RETURN INVESTING- Introduced by John Duggan, *Executive Director, Closed-End Fund and ETF Strategy* – Oppenheimer & Co.

"The Importance of Price to Sales as a Valuation Metric" - Steve Cornelius, *SVP, Head of Distribution* - RevenueShares

Summary: In investing, often times the best thing to do is the most difficult for investors to do. A key in keeping emotions out of investing is to pay attention to valuations, and to follow a discipline. Following a rules-based discipline may help investors not to chase returns, but rather to take advantage of times when markets/stocks are overbought or oversold. The backdrop to our presentation was supported by a study which had been done over a 25 year period highlighting a few key findings based around valuation as measured by the price to sales metric. Three of the highlights were:

Steve Cornelius

- Often is more important in investing to avoid mistakes than to pick winning stocks.
- It is important to assess the valuation of a stock in relation to the company's ability to sustain growth rates supporting that valuation
- Revenues or sales have shown to be an effective metric in valuing companies. Revenues are reflective of a firm's operations, are the item on an income statement least susceptible to accounting practices, or financial "engineering", and are applicable to all companies unlike other metrics.

There is a fairly inverse relationship shown over the last 15 years between the average price to sales ratios of each sector and the stock performance of the sector. A rules-based investment approach has been an effective way to realize the advantages inherent in ETFs, along with enhanced fundamentals. RevenueShares has demonstrated an ability to capture benefits of both. Employing a simple methodology of re-weighting Standard & Poor's indexes by the revenue of each company rather than market capitalization has shown in both live fund performance as well as backtested, rules-based data to enhance annualized returns substantially while owning all stocks in a respective index. The effect revenue-weighting has on an index has been to tilt the portfolio towards value, while increasing relative exposures to companies able to grow their revenue faster than others in their index. RevenueShares is an ETF provider founded in February, 2008, and based in Philadelphia, PA.

"Convertible Bonds in a Portfolio" - Scott Henderson, *VP, Portfolio Specialist* - Calamos Investments

Left to right: John Duggan and Scott Henderson

Summary: Convertibles are hybrid securities with debt and equity characteristics. Convertibles can be thought of as the sum of their parts: a bond plus a long-term call option (the right to convert into the underlying stock). There are a number of ways that Calamos has traditionally positioned convertibles within asset allocation, including enhanced fixed income and defensive equity. In rising interest-rate environments, convertibles have outperformed the general fixed income markets, as equity characteristics have reduce interest rate sensitivity. In regard to defensive equity, convertibles have tended to have smoother returns relative to equities, due to their fixed income characteristics.

Actively managed strategies utilizing convertibles may address a variety of investor concerns. Investors who have seen large equity gains in the past two years may find convertibles appealing as a way to risk manage those gains, while still participating in stocks. Conversely, those investors who may not have capitalized on the gains of the equity markets over the past two years may find that convertibles provide measured entrance into stocks with potentially less volatility. Convertibles can also help investors diversify away from the most rate vulnerable fixed-income assets. Because the characteristics of convertibles change over time due to various market dynamics, they require active management.

Convertibles may be ideal for closed-end funds because they can generate both income and capital appreciation. Because convertibles have tended to outperform traditional fixed income securities in rising rate environments, their returns are more likely to offset floating-rate leverage costs, therefore continuing to make this leverage accretive. A portfolio manager may use convertibles with different characteristics to generate income, capital appreciation, or both to optimize the fund's total return.

"REITs: The Original Real Asset" - Tom Bohjalian, *EVP, Portfolio Manager* - Cohen & Steers

Tom Bohjalian

Summary: Real asset investments have produced strong total returns in the first quarter of 2014, with U.S. REITs leading the way. Tom Bohjalian, Head of U.S. Real Estate at Cohen & Steers explains how REITs' strong recent performance partly reflects expectations that their fundamentals will continue to benefit from accelerating economic growth. In addition to strong fundamentals Mr. Bohjalian discusses the importance of REITs having access to capital and strong balance sheets as they head into the future. In the context of improving economic growth in 2014, he discusses our belief that REIT valuations remain compelling

compared to their underlying property values and cash flows and shows how economic growth has historically been good for REITs.

"Real Assets & Real Returns" - Gaston Yordan, *VP* - Nuveen Investments

Gaston Yordan

Summary: Today's market is leading many investors across the globe to seek alternatives to traditional equity and fixed income investments. Nuveen believes real assets can offer investors a unique combination of potential for yield, stability and growth and may serve as an attractive portfolio diversifier. Mr. Yordan discussed how real assets can also offer predictable cash flow streams – often supported by regulated and/or contractual revenues and defensible market positions – and may serve as an effective hedge against inflation. In addition, the unique structure of closed-end funds offers the opportunity to utilize leverage and to construct a portfolio without the same liquidity constraints that an open-end fund structure may entail.

While there is no one-size-fits-all solution to real asset investing, real assets are a compelling long-term investment and may be poised for growth in the future, based upon global population growth trends, increasing urbanization around the world, and the general need for providers of real assets to help support the global economy.

"Where to Find Stable Yield in a Low-Yield Environment" - Grier Eliasek, *President* - Prospect Capital

Summary: Grier Eliasek, President of Prospect Capital Corporation offered an introduction into Business Development Companies

Grier Eliasek

("BDCs"). Prospect Capital Corporation (NASDAQ: PSEC) is a leading provider of flexible private debt and equity capital to sponsor-owned and non-sponsor-owned middle-market companies in the United States and Canada. Under BDC regulation, PSEC must distribute at least 90% of net investment income and will not be subject to corporate taxation. PSEC has a total asset of over $5 billion and a portfolio yield of 12.9% as if December 31, 2013.

"Why Focus on Quality in a Dividend Portfolio"

Left to right: Samir Chamalia, Christopher Huemmer, and Bart Farinholt

Moderator: Samir Charnalia, *National Accounts Executives* - FlexShares ETFs

Panelists:
Christopher G. Huemmer, CFA, *Senior Investment Strategist, Equity, ETFs Group* - FlexShares ETFs
Bart Farinholt, *Director of RIA Sales* - RiverFront Investment Group

Summary: FlexShares hosted a panel discussion on why it is important to focus on quality in a dividend portfolio. In partnering with Riverfront Investment Group the session was able to provide two distinct view points on this topic one from an ETF provider and the other from an ETF Strategist. We were able to talk about the benefits of dividends in today's market environment, and what to look for in this space. Additionally we provided insight on what

FlexShares looks for in designing a strategy for this space as well how Riverfront incorporated dividends in their investment portfolio.

INTERNATIONAL INVESTING - Introduced by Alexander Reiss, *Director, Closed-End Fund Research* - Stifel Nicolaus

"Investment Opportunities in Mexican Equity Securities"- Alberto Osorio, *President & CEO* - The Mexico Fund, Inc.

Summary: During 2013, the Mexican economy registered slow growth rates, due in part to the deceleration of the US economy and low government expenses, which are typical of the first year of a presidential term. Now that the US economy is on its way to recover and the Mexican public sector expenditure is growing at double digit rates, the Mexican economy is moving again to an expansionary phase. Also, the approval of the energy reform, the most important structural change since NAFTA was signed in 1994, together with other important structural reforms that have been implemented, will be an additional boost to Mexico's GDP

Left to right: Alexander Reiss and Alberto Osorio

growth in coming years. Mexico continues offering international investors solid economic fundamentals that include healthy public sectors finances, controlled inflation, balanced external sector accounts, investment grade ratings and a fairly valued currency, among other factors. Under this environment, The Mexico Fund (the Fund) continues to offer competitive returns that exceed those of its benchmark. Also, since 2008, the Fund has in place a Managed Distribution Plan (MDP), under which it distributes annually to stockholders 10% of NAV in quarterly cash payments. Until now, under the MDP, the Fund has not returned any capital to stockholders and all distributions have been composed mostly of realized capital gains. Although the MDP is subject to Board review, there are no current intentions to modify it. The Fund is one of the most liquid closed-end funds of its category, as its average daily value of shares traded on all US consolidated markets exceeds $1.7 million. For further information, please go to the Fund's website www.themexicofund.com

"Emerging Markets: Much More Alive Than Dead" - Rennie McConnochie, *Senior Business Development Manager* - Aberdeen Asset Management

Summary: Developing market equities have been hit by the economic slowdown in China, the Federal Reserve tapering of its bond-buying program and disappointing corporate earnings. On the other hand, Aberdeen Asset Management believes that the headlines proclaiming the death of emerging markets are greatly exaggerated.

Rennie McConnochie

While there are challenges—particularly in those countries with high current account deficits—Aberdeen believes we are in the midst of a healthy cyclical correction and not a massive structural decline in emerging markets.

Aberdeen believes that corporate fundamentals in emerging markets are largely intact and valuations are very attractive. Emerging market equities currently trade at a discount to assets in the developed world and are buoyed by favorable demographics and rising domestic consumption. Opportunities beckon in emerging market equities with heavy doses of careful due diligence and a long-term investment horizon.

"Why MXE is a Good Investment?" - Annette Acosta, *Assistant Portfolio Manager* - Mexico Equity and Income Fund, Inc. and Marco Ramirez, *Middle Office Manager and Compliance* - Mexico Equity and Income Fund, Inc.

Left to right: Annette Acosta, Alexander Reiss and Marco Ramirez

RISK MANAGEMENT - Introduced by Sebastian Mercado, *Vice President, ETF Strategist* – Deutsche Bank

"Understanding Currency Risk & Currency Hedging" - Steve Darby, *Director, ETF Investment Specialist* - Deutsche Asset & Wealth Management

Steve Darby

Summary: For years investors have been using more and more ETFs to access all areas of the global markets. With majority of investors buying and selling in their local currency, most are unaware they are even exposed to foreign currency risk. Currency risk occurs when an international equity investor is exposed to fluctuations in the local currencies of underlying holdings they are invested in, even when investing in U.S. dollars. Hedged products are designed to mitigate the exposure to fluctuations between the value of the U.S. dollar and non-U.S. currencies while allowing pure exposure to equity markets. The db X-trackers suite of currency hedged ETFs attempt to mitigate the currency risk of investments that track MSCI international equity indices. They're: convenient, providing international investment and currency hedging in a single security; efficient, with simple construction rules; and transparent, with equity and currency positions disclosed daily.

MLP INVESTING: YIELD & TOTAL RETURN

"MLP Market Update"- Jody Meraz, *VP, Publicly Traded Funds; Managing Director* - Kayne Anderson Capital Advisors, L.P.

Jody Meraz

Summary:

- Kayne Anderson is optimistic about the long-term outlook for MLPs
- Shale revolution is a once-in-a-lifetime event. The U.S. is now the world's largest producer of natural gas, and is the fastest growing energy producing nation in the world
- Complex story with winners and losers
- Kayne Anderson CEFs are ideal vehicle for retail investors because there are no K-1s; No UBTI, have an experienced profession team, and a proven track record

"US Energy: It Is Not Just About MLPs" - Daniel Spears, *Partner & Portfolio Manager* - Swank Capital; *President* - The Cushing Funds

Summary: Shale Drilling Technology is a Potential "Game Changer," as it transforms domestic infrastructure needs, and boosts spending on equipment, infrastructure and attracting an

Daniel Spears

increase inbound of foreign direct investment. This allows the U.S. to dramatically increase the domestic production of Crude Oil & Natural gas, and making U.S. manufacturing more competitive globally.

Some key MLP themes to monitor are:

- Continued "MLP"ification of the Energy Sector
- Positive Fund Flows into the Space
- De-bottlenecking of the Marcellus
- LNG export projects move into the spotlight
- Increased regulation around crude by rail transportation

"Growth & Differentiation in MLP Investing" – Kyri Loupis, *Managing Director,* Lead Portfolio Manager - Goldman Sachs Asset Management

Kyri Loupis

Summary:

- The MLP sector is has grown tremendously. In 2000, there were 17 MLPs, in 2007 there 67 MLPs, and there are now 112 MLPs.
- The average daily trading volume in in 2000 was \$15.5m, today it is \$843.6m.
- Visible distribution growth in the next few years consistent with what we have seen historically
- Valuation is inexpensive versus fixed income but expensive based on equity metrics
- IPO and MLP-to-MLP M&A are likely to continue
- More scrutiny is to be expected and healthy for the MLP sector

"Energy Independence in North America: There's No Place Like Home" - Edward Russell, *Managing Director* - Tortoise Capital Advisors

Edward Russell

Summary: It's hard to ignore the energy revolution underway in North America and how this exciting sea change in energy is driving activity from the oil patch to the consumer. This session provided educational insight on the robust drilling activity occurring in vast, resource-rich North American shales; the huge need for infrastructure to move the record-setting volumes of oil and natural gas now being produced.

"The Next Generation of MLP ETFs" - Darren Schuringa, Managing Partner - Yorkville Capital Management

Darren Schuringa

INCOME PRODUCING ALTERNATIVES

"How to Generate Attractive, Recurring Dividends, While Positioning for Rising Interest Rates" - Leonard Tannenbaum, *CEO* - Fifth Street Management LLC

Summary: In today's low-yield world, substantial income can be hard to find. Fifth Street Management LLC's two publicly-traded business development companies (BDCs) have delivered recurring dividends with yields much higher than many other income-oriented investments, while helping investors manage interest rate risk though floating rate exposure. Fifth Street Finance Corp. (FSC), one of the largest BDCs in the country with two investment grade ratings, offers a monthly dividend with a 10.6% yield (as of 3/20/14) and ~70% of its debt portfolio is in floating rate investments. Fifth Street Senior Floating Rate Corp. (FSFR), which completed its IPO in July 2013, has a portfolio of 100% senior secured floating rate loans and offers a quarterly dividend that has continued to grow as the portfolio has ramped. Both stocks also provide access to portfolios of private small and mid-sized companies, diversified across many industries – access typically available only through private funds to institutional investors.

Leonard Tannenbaum

LUNCHEON KEYNOTE ADDRESS

"A Real View of the World" – Joseph Harvey, *President & Chief Investment Officer* - Cohen & Steers

Joseph Harvey

Summary: At one time, alternatives were a category of investments used primarily by institutions and high-net-worth investors to invest in hedge fund and private equity strategies— most of which were illiquid or provided limited liquidity. But today, individual investors can gain access to an innovative new generation of alternative strategies, such as real assets. Joseph Harvey, President and CIO of Cohen & Steers defines what real assets are and discusses the need for investors to diversify beyond traditional allocations to stocks and bonds. Mr. Harvey makes the case for adding the complementary diversification potential of real assets as a core component of investors' long-term investable assets and shows how this will take on a greater level of importance in the years to come.

AFTERNOON SESSIONS

"Closed-End Fund Industry Roundtable"

Moderator: Steven Pikelny, *Analyst, Fund Research* - Morningstar
Panelists:
Robert Bush, *SVP* - Calamos Investments
Jonathan Isaac, *VP, Director of Product Management* - Eaton Vance Management
Edward Russell, *Managing Director* - Tortoise Capital Advisors
Cecilia Gondor, *EVP and Chief Investment Officer* - Thomas J. Herzfeld Advisors

Left to right: Cecilia Gondor, Edward Russell, Jonathan Isaac, and Steven Pikelny

Summary: The panel kicked off the discussion talking about the rough market in 2013, with each panelist contributing to how their firm navigated the year. The big takeaway was that the universe was fairly heterogeneous. For example, leveraged fixed income funds performed incredibly poorly, while MLP fund logged stellar NAV returns. In addition, the panel touched on the broken IPO mechanism for raising capital for CEFs, and how secondary offerings could help. The Panel also talked about some of the tax considerations of holding CEFs in one's portfolio; in particular, the panelists all agreed that return of capital is much more complicated than meets the eye.

"US Energy Industrial Manufacturing Renaissance" - Daniel Spears, *Partner & Portfolio Manager* - Swank Capital; President - The Cushing Funds

COMMODITIES - Introduced by Eric Balchunas, *ETF Analyst* - Bloomberg

"The Commodity Evolution: The Changing Face of Commodities Investing" - Oscar Bleetstein, *Director, Commodities Sales* - Credit Suisse

Oscar Bleetstein

"The Case for Commodities" - John Gambla, CFA, FRM, PRM, *Senior Portfolio Manager for the First Trust Global Tactical Commodity Strategy Fund (FTGC)* - First Trust Advisors

John Gambla

Summary: 2008 reminded investors that equities can be volatile and with volatility comes the potential for significant drawdowns. Even for investors invested in a typical 60/40 portfolio of stocks and bonds, the diversification of holding bonds did not substantially impact the drawdown profile versus holding stocks and cash. This is a direct result of the volatility of a 60/40 portfolio being dominated by the equity component. In our opinion, investors would be well served to look for other assets to further diversify their portfolios.

Commodities have certain attributes which make them potentially attractive from a diversification standpoint, namely: a historically low correlation with equities, yet positive sensitivity to inflation. With several economic indicators showing the economy improving and an accommodative Federal Reserve, we believe now may be a good time to consider an allocation to commodities.

"Gold: A Strategic Asset" - William Rhind, *Managing Director, Investment* - World Gold Council

Summary: Part of gold's enduring appeal is that its been used by civilizations for centuries. Gold has some unique properties that may explain why; gold is a very rare element,

William Rhind

its malleable, is resistant to corrosion, inert, dense and easy to store/transport due to high value in small quantity. All the gold ever mined is estimated to be 177,000 tonnes. Above ground stocks of gold grow at a rate of 1.5% per annum driven by mine production. Mine production has held fairly steady over last 10 years due in part to fewer new discoveries and rising costs of mining. Total average marginal cost of production for the industry is currently estimated to be around $1200oz. Gold supply comes from 2 areas; mine production and recycling. Gold demand has 4 main sources; Investment, Jewelry, Technology & Central banks. Supply and demand for 2013 equaled 4340 tonnes. A large portion of the global demand for gold now comes from emerging markets but particularly China and India. China is now the largest producer and consumer of gold in the world. In addition to strong consumer demand for gold, particularly from Asia, central banks have now become net buyers of gold. These central banks again are largely emerging central banks that have accumulated large reserves of foreign currencies and are using gold as one of the tools available to diversify risk.

For investors, there is a strong strategic case for investing in gold. Gold provides 2 principal benefits to a portfolio; diversification and protection of long term purchasing power. Gold has delivered average annual real returns of 4.1% since 1970. In addition to its return generating potential, it is a liquid asset class that is estimated to turnover $240 billion per day. Gold has a low correlation to traditional stocks and bonds helping it to act as a store of value in times of stock market stress or dislocation. This could be a valuable trait in an environment where tail events are increasing in frequency and magnitude. The World Gold Council suggests investors consider a modest allocation of 5% to gold as part of a diversified portfolio of 60% equities and 40% bonds. There are many different ways that investors can access gold but among the most popular are gold exchange traded funds (ETFs) that track the gold price and are backed by physical bars of gold.

"Use of Leverage In CEFs"

Moderator:
Ian Rasmussen, *Senior Director of Fund & Asset Management* - Fitch Ratings

Panelists:
Yuriy Layvand, *Director of Fund & Asset Management* - Fitch Ratings
William White, *Managing Director of Debt Private Placements* - Bank of America Merrill Lynch
Jody Meraz, *VP of Publicly Traded Funds; Managing Director* - Kayne Anderson Capital Advisors, L.P.
William Meyers, *Managing Director, GSPG Capital Markets* - Nuveen Investments

Summary: The 259 taxable fund market currently has about $50bil of leverage outstanding - this is up by $9 bil since same time last year due to NAV appreciation and new fund IPOs. The 193 municipal funds retain about $34bil, mostly unchanged as NAVs have only recently recovered the interest rate stress they faced in late 2013.

Left to right: Ian Rasmussen, Yuriy Layvand, William White, Jody Meraz, and William Meyers

Leverage management remains an important responsibility of CEF fund managers. Leverage can benefit CEF investors by increasing total returns and dividend payout ratios, but performance isn't the only consideration. Managers must also keep in mind continued access to capital markets, diversification of borrowing sources, and cost of leverage over the long term especially now with rates at historical lows. Over the last year, CEF managers have been very active in leverage management by issuing new security types, attracting new leverage investors, and fixing leverage costs by issuing term notes and preferred stock.

A particular leverage sector increasing in importance is the private placement market for raising debt capital. Over the past year as costs decreased, issuance by taxable CEFs in this market hit record highs. Fitch expects this trend to continue for sectors outside the MLP funds.

In the municipal space, funds have refinanced a large portion of their publicly traded preferred stock into private securities placed directly with banks. Municipal funds are also focused on solutions to tender option bond leverage that is being impacted by the Volcker Rule.

"Raising Capital for CEFs & MLPs"

Moderator:
Rose DiMartino, *Partner,* Asset Management Dept. - Willkie Farr & Gallagher LLP

Panelists:
Bryan Turley, *Managing Director* - MLV & Co.
Jerry Raio, *Managing Director,* Equity Capital Markets - Wells Fargo Securities
John A. Key, *Managing Director* - UBS Investment Bank
Jay Spinola, *Partner, Asset Mgmt. Group* - Willkie Farr & Gallagher LLP
Dietrich Moor, *Senior VP* - Raymond James Investment Banking

Left to right: Rose DiMartino, Bryan Turley, Jerry Raio, John Key, Jay Spinola, and Dietrich Moor

Summary: The ability of closed-end funds to access the capital markets is an ongoing concern for investment managers, both for new products and existing funds. Because registered closed-end funds are legally constrained from selling their shares at a price above net asset value, funds need to be prepared to take advantage of market premiums for their shares when they arise. In order to seize these opportunities, closed-end funds have increasingly begun to file shelf-registration statements to register shares to be sold in at-the-market offerings, overnight follow-on offerings and rights offerings. Recently, funds with modest trading premiums have successfully sold additional shares in these types of offerings to shareholders seeking to access particular asset classes or yield targets.

“ETF Industry Roundtable”

Moderator: Laura Morrison, *SVP, Global Index & Exchange Traded Products* - Intercontinental Exchange-NYSE

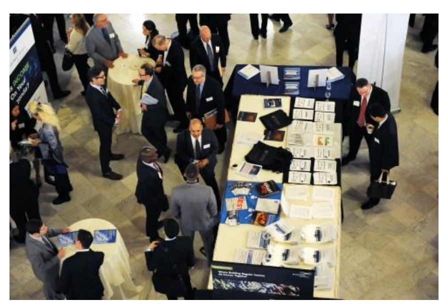
Panelists:
Kevin Quigg, *Global Head of ETF Sales Strategy* - State Street Global Advisors
Dominic Maister, *Head of iShares ETF Due Diligence* - BlackRock
Ben Slavin, *Head of Product Development* - WisdomTree Asset Management
Deborah Fuhr, *Managing Partner* - ETFGI
Kathleen H. Moriarty, *Partner* - Katten Muchin Rosenman LLP
Ugo Egbunike, *Director, Business Development* – ETF.com

Summary: The panel kicked off the discussion talking about the different new ETF products and areas of innovation, with each panelist’s firm. Smart Beta, and non – transparent active ETFs was a reoccurring theme in

Left to right: Ugo Egbunike, Kathleen Moriarty, Deborah Fuhr, Ben Slavin, Dominic Maister, Kevin Quigg, and Laura Morrison

the discussion. As Smart Beta is gaining more acceptance, the panelists explain what Smart Beta is, and how an investor should choose the best approach. The resurgence of the discussion on non- transparent active ETFs has been a hot topic for the ETF industry, and how this will be a game changer for the future. Other topics discussed include utilizing ETFs in 401K plans, pros and cons of on-line brokers offering zero commission trading, ETF liquidity, the global growth and expansion of ETFs, and current challenges/areas of concern to investors and to ETF sponsors.

> Click here to access the audio archives & presentations from the Forum



Nicolas Bornozis, the *President* of **Capital Link**, stated that:

"The 13th Annual Closed-End Funds & Global ETFs Forum is the only educational, industry, marketing, and networking event to combine closed-end funds and ETFs. By combining CEFs and ETFs in one Conference we maximize attendance, as advisors and investors, who are our primary target audience, use CEFs and ETFs as complementary investment solutions. Also, most sell side research analysts follow both CEFs and ETFs. Furthermore, many Fund Sponsors provide both CEFs and ETFs, and our Forum enables them to present the range of their investment strategy and products. We are delighted that our Forum has consistently attracted over 1,000+ delegates every year providing unique informational, educational, marketing and networking opportunities."

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Capital Link is a New York-based investor relations and financial communications firm, which, among other activities, maintains a strategic focus on closed-end funds and ETFs.

Capital Link has developed powerful investor outreach programs and IR tools focused on CEFs and ETFs aimed to enhance their profile among analysts, investors, and financial media. In pursuit of this objective, it maintains websites dedicated to CEFs (www.CEFForum.com) and ETFs (www.ETFForum.com) that track the news and developments of all U.S. listed CEFs and ETFs, providing investors with a free information resource on these topics. The Annual Closed-End Funds & Global ETFs Forum held in New York City every April (www.CapitalLinkForum.com), has a 12-year track record and considered a premier industry annual event. It attracts consistently over 1,000 delegates, bringing together investors, analysts, wealth management professionals, and CEF and ETF industry participants. **The next Forum is scheduled for Thursday, April 24, 2014**. Capital Link also offers the "Closed-End Funds & Global ETFs Webinar Series (www.CapitalLinkWebinars.com)," an online interactive platform on CEFs, ETFs and other pertinent industry topics. These virtual events provide an in-depth look into CEFs & ETFs facilitating interaction among industry participants.

CONTACT INFORMATION

Anny Zhu
Capital Link, Inc.
230 Park Avenue, Suite 1546
New York, NY 10169
T: (212) 661-7566
forum@capitallink.com

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