

CEFA'S GUIDE TO ANALYZING A CLOSED-END FUND



Intermediate CEF Skill Level

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Today's Goal?

How does CEFA Analyze a closed-end fund for our client portfolios?

*What are the factors that lead us to mark a fund as a potential:
Buy, Hold or Sell?*

- *What are our **Level 1 (Primary) Research Factors?***
- *What are our **Level 2 (Secondary) Research Factors?***

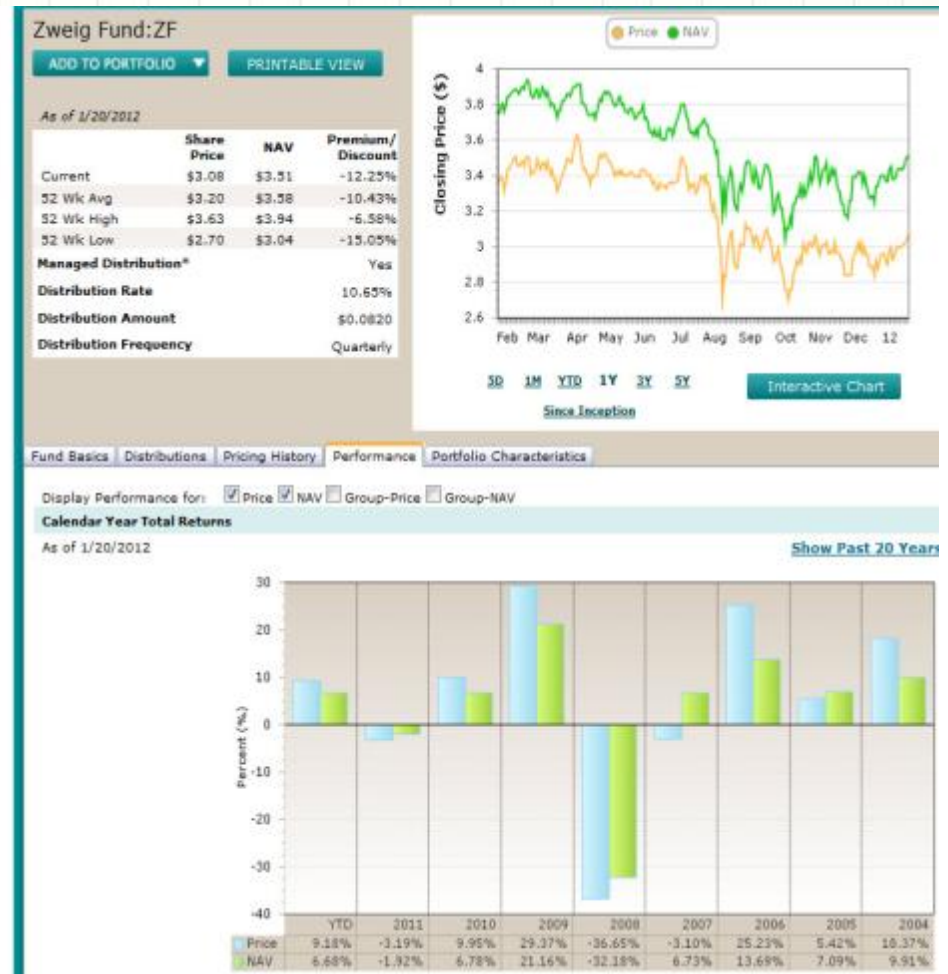
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Level 1 Factors

- ❑ **Our Interest in the Sector or Asset Class**
 - Where the fund fits into one or more of our portfolio models.
- ❑ **NAV Performance**
 - Compared to Peers & Index
- ❑ **Sustainable Dividends**
 - Risk of a cut & likelihood of an increase
- ❑ **Entry Point Risk (market price)**
 - Value investing, good funds cheap or 'beat up'
- ❑ **Historical & Current Peer Review**

NAV Performance Comparison



Sustainable Dividends

➤ Equity Funds

- Source of Dividends?
 - Dividend Income
 - Short-Term / Long-Term Capital Gains
- Return of Capital
 - Constructive
 - Pass Through Accounting
 - Destructive (Return of Principal)



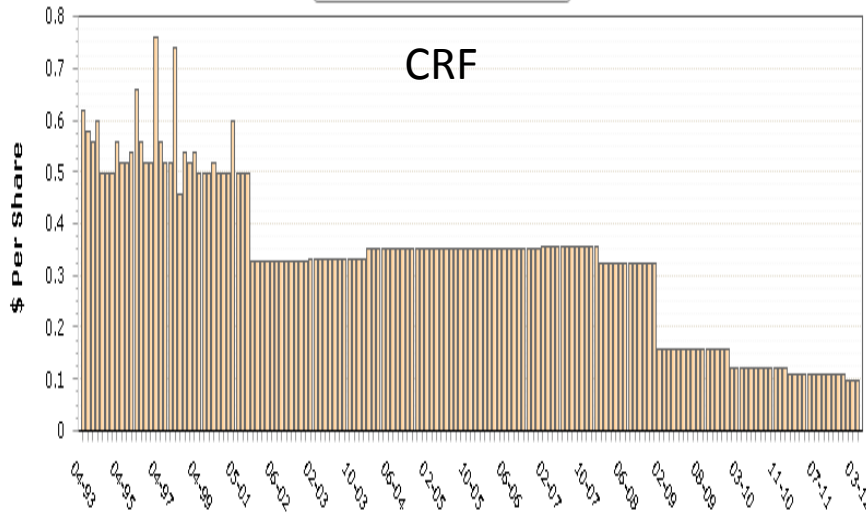
➤ Bond Funds

- Dividend Coverage (Earnings per share / dividend amount)
- Relative UNII (Undistributed Net Investment Income)
- Interest Rate Sensitivity
- Default/Credit Risk
 - Type of Bonds in Portfolio

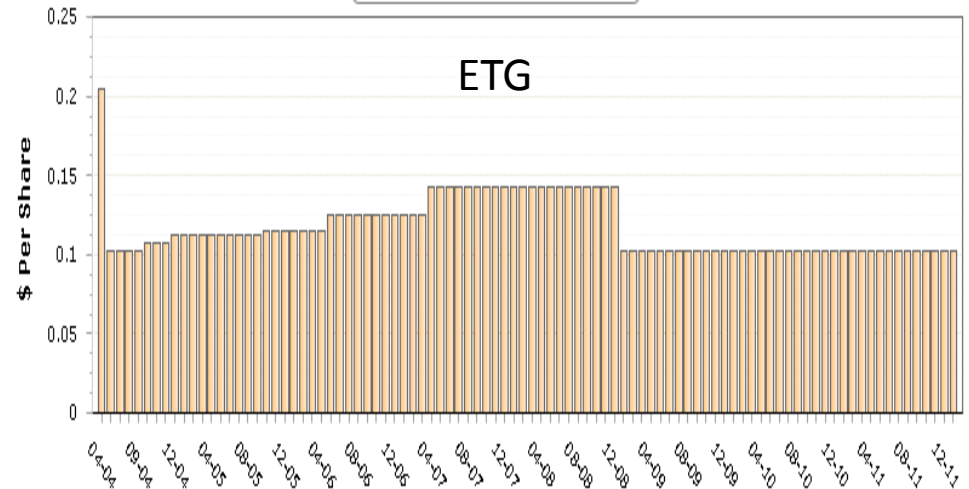
Equity Fund Dividend Sustainability

CRF vs ETG

Distribution History - Since Inception



Distribution History - Since Inception



Distribution History

Enter declared start and end dates to display distribution history below. Income, Long Gain, Short Gain and ROC breakdowns will only be shown for the past year.

Display History to

Declared Date	Payable Date	Ex Date	Distrib Amount	Income	Long Gain	Short Gain	ROC
11/4/2011	3/30/2012	3/13/2012	\$0.0976	0	0	0	\$0.0976
11/4/2011	2/29/2012	2/13/2012	\$0.0976	0	0	0	\$0.0976
11/4/2011	1/31/2012	1/11/2012	\$0.0976	0	0	0	\$0.0976
8/12/2011	12/30/2011	12/13/2011	\$0.1112	0	0	0	\$0.1112
8/12/2011	11/30/2011	11/13/2011	\$0.1112	0	0	0	\$0.1112
8/12/2011	10/31/2011	10/12/2011	\$0.1112	0	0	0	\$0.1112
5/9/2011	9/30/2011	9/13/2011	\$0.1112	0	0	0	\$0.1112
5/9/2011	8/31/2011	8/12/2011	\$0.1112	0	0	0	\$0.1112
5/9/2011	7/29/2011	7/13/2011	\$0.1112	0	0	0	\$0.1112
2/11/2011	6/30/2011	6/13/2011	\$0.1112	0	0	0	\$0.1112
2/11/2011	5/31/2011	5/11/2011	\$0.1112	0	0	0	\$0.1112
2/11/2011	4/29/2011	4/13/2011	\$0.1112	0	0	0	\$0.1112

Key Information Regarding Distributions

Current Distribution (Monthly): (As of 1/20/2012)	\$0.0976
Avg. Earnings Per Share: (As of 6/30/2011)	\$0.0032
Annualized Distribution Rate on NAV: (As of 1/20/2012)	20.95%
Total Return on NAV (12 months): (As of 1/20/2012)	4.95%
Total % Portfolio Leveraged: (As of 1/20/2012)	

Estimated Components of Distributions

These percentages are as of the last calendar year. Early in the year, until the prior year's audited breakdowns are available, these will be estimated values.

Ordinary Income:	
Long term Capital Gain:	
Short term Capital Gain:	
Return of Capital:	100.00%

Distribution History

Enter declared start and end dates to display distribution history below. Income, Long Gain, Short Gain and ROC breakdowns will only be shown for the past year.

Display History to

Declared Date	Payable Date	Ex Date	Distrib Amount	Income	Long Gain	Short Gain	ROC
12/20/2011	1/11/2012	12/28/2011	\$0.1025	\$0.1025	0	0	
12/13/2011	12/30/2011	12/21/2011	\$0.1025	\$0.1025	0	0	
11/11/2011	11/30/2011	11/21/2011	\$0.1025	\$0.1025	0	0	
10/14/2011	10/31/2011	10/20/2011	\$0.1025	\$0.1025	0	0	
9/13/2011	9/30/2011	9/21/2011	\$0.1025	\$0.1025	0	0	
8/12/2011	8/31/2011	8/22/2011	\$0.1025	\$0.1025	0	0	
7/12/2011	7/29/2011	7/20/2011	\$0.1025	\$0.1025	0	0	
6/14/2011	6/30/2011	6/21/2011	\$0.1025	\$0.1025	0	0	
5/13/2011	5/31/2011	5/20/2011	\$0.1025	\$0.1025	0	0	
4/12/2011	4/29/2011	4/19/2011	\$0.1025	\$0.1025	0	0	
3/15/2011	3/31/2011	3/22/2011	\$0.1025	\$0.1025	0	0	
2/9/2011	2/28/2011	2/16/2011	\$0.1025	\$0.1025	0	0	

Key Information Regarding Distributions

Current Distribution (Monthly): (As of 1/20/2012)	\$0.1025
Avg. Earnings Per Share: (As of 10/31/2011)	\$0.1268
Annualized Distribution Rate on NAV: (As of 1/20/2012)	8.46%
Total Return on NAV (12 months): (As of 1/20/2012)	2.35%
Avg. UNII Per Share: (As of 10/31/2011)	\$0.1146
Total % Portfolio Leveraged: (As of 1/20/2012)	27.71%

Estimated Components of Distributions

These percentages are as of the last calendar year. Early in the year, until the prior year's audited breakdowns are available, these will be estimated values.

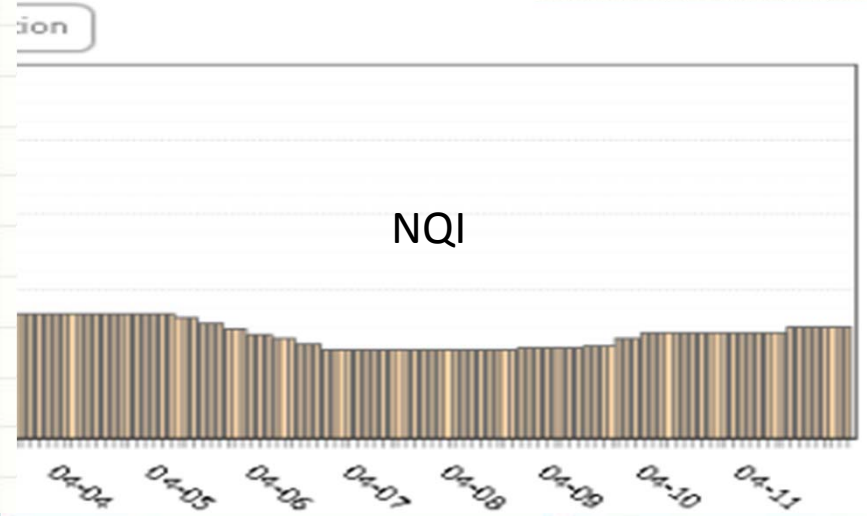
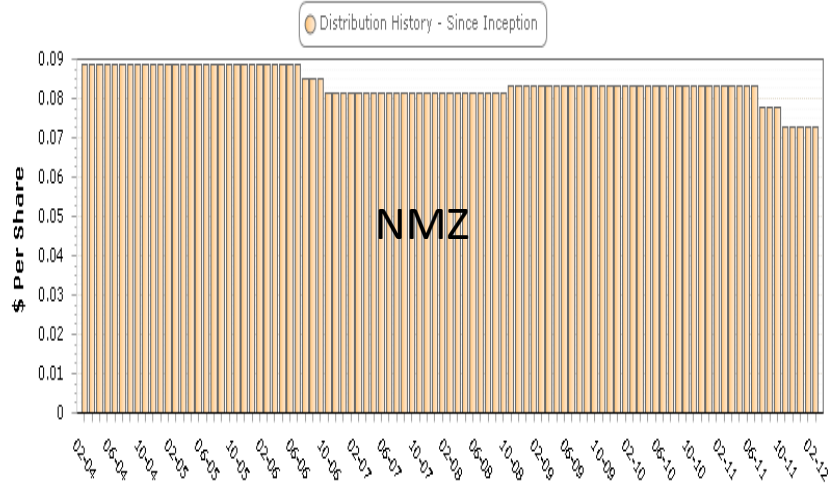
Ordinary Income:	100.00%
Long term Capital Gain:	
Short term Capital Gain:	
Return of Capital:	

Fund shares are not guaranteed or endorsed by any bank or other insured depository institution, and are not federally insured by the FDIC.



Muni Bond Fund Dividend Sustainability

NMZ vs. NQI



Distribution History

Enter declared start and end dates to display distribution history below. Income, Long Gain, Short Gain and ROC breakdowns will only be shown for the past year.

Display History 1/23/2011 to 1/23/2012

Declared Date	Payable Date	Ex Date	Distrib Amount	Income	Long Gain	Short Gain	ROC
1/3/2012	2/1/2012	1/11/2012	\$0.0730	\$0.0730	0	0	
12/1/2011	12/30/2011	12/13/2011	\$0.0231	\$0.0231	0	0	
12/1/2011	12/30/2011	12/13/2011	\$0.0730	\$0.0730	0	0	
11/1/2011	12/1/2011	11/10/2011	\$0.0730	\$0.0730	0	0	
10/3/2011	11/1/2011	10/12/2011	\$0.0730	\$0.0730	0	0	
9/1/2011	10/3/2011	9/13/2011	\$0.0730	\$0.0730	0	0	
8/1/2011	9/1/2011	8/11/2011	\$0.0780	\$0.0780	0	0	
7/1/2011	8/1/2011	7/13/2011	\$0.0780	\$0.0780	0	0	
6/1/2011	7/1/2011	6/13/2011	\$0.0780	\$0.0780	0	0	
5/2/2011	6/1/2011	5/11/2011	\$0.0835	\$0.0835	0	0	
4/1/2011	5/2/2011	4/13/2011	\$0.0835	\$0.0835	0	0	
3/1/2011	4/1/2011	3/11/2011	\$0.0835	\$0.0835	0	0	
2/1/2011	3/1/2011	2/11/2011	\$0.0835	\$0.0835	0	0	

Key Information Regarding Distributions

Current Distribution (Monthly): (As of 1/20/2012) \$0.0730

Avg. Earnings Per Share: (As of 12/31/2011) \$0.0778

Annualized Distribution Rate on NAV: (As of 1/20/2012) 7.21%

Total Return on NAV (12 months): (As of 1/20/2012) 29.64%

Avg. UNII Per Share: (As of 12/31/2011) -\$0.0145

Avg. Portfolio Coupon: (As of 1/20/2012) 7.74%

Total % Portfolio Leveraged: (As of 1/20/2012) 47.73%

Estimated Components of Distributions

These percentages are as of the last calendar year. Early in the year, until the prior year's audited breakdowns are available, these will be estimated values.

Ordinary Income: 100.00%

Long term Capital Gain:

Short term Capital Gain:

Return of Capital:

Distribution History

Enter declared start and end dates to display distribution history below. Income, Long Gain, Short Gain and ROC breakdowns will only be shown for the past year.

Display History 1/23/2011 to 1/23/2012

Declared Date	Payable Date	Ex Date	Distrib Amount	Income	Long Gain	Short Gain	ROC
1/3/2012	2/1/2012	1/11/2012	\$0.0750	\$0.0750	0	0	
12/1/2011	12/30/2011	12/13/2011	\$0.0026	\$0.0026	0	0	
12/1/2011	12/30/2011	12/13/2011	\$0.0750	\$0.0750	0	0	
11/1/2011	12/1/2011	11/10/2011	\$0.0750	\$0.0750	0	0	
10/3/2011	11/1/2011	10/12/2011	\$0.0750	\$0.0750	0	0	
9/1/2011	10/3/2011	9/13/2011	\$0.0750	\$0.0750	0	0	
8/1/2011	9/1/2011	8/11/2011	\$0.0750	\$0.0750	0	0	
7/1/2011	8/1/2011	7/13/2011	\$0.0750	\$0.0750	0	0	
6/1/2011	7/1/2011	6/13/2011	\$0.0750	\$0.0750	0	0	
5/2/2011	6/1/2011	5/11/2011	\$0.0710	\$0.0710	0	0	
4/1/2011	5/2/2011	4/13/2011	\$0.0710	\$0.0710	0	0	
3/1/2011	4/1/2011	3/11/2011	\$0.0710	\$0.0710	0	0	
2/1/2011	3/1/2011	2/11/2011	\$0.0710	\$0.0710	0	0	

Key Information Regarding Distributions

Current Distribution (Monthly): (As of 1/20/2012) \$0.0750

Avg. Earnings Per Share: (As of 12/31/2011) \$0.0670

Annualized Distribution Rate on NAV: (As of 1/20/2012) 6.06%

Total Return on NAV (12 months): (As of 1/20/2012) 26.61%

Avg. UNII Per Share: (As of 12/31/2011) \$0.1598

Avg. Portfolio Coupon: (As of 1/20/2012) 4.45%

Total % Portfolio Leveraged: (As of 1/20/2012) 40.31%

Estimated Components of Distributions

These percentages are as of the last calendar year. Early in the year, until the prior year's audited breakdowns are available, these will be estimated values.

Ordinary Income: 100.00%

Long term Capital Gain:

Short term Capital Gain:

Return of Capital:



Entry Point Evaluation

TEI vs ESD

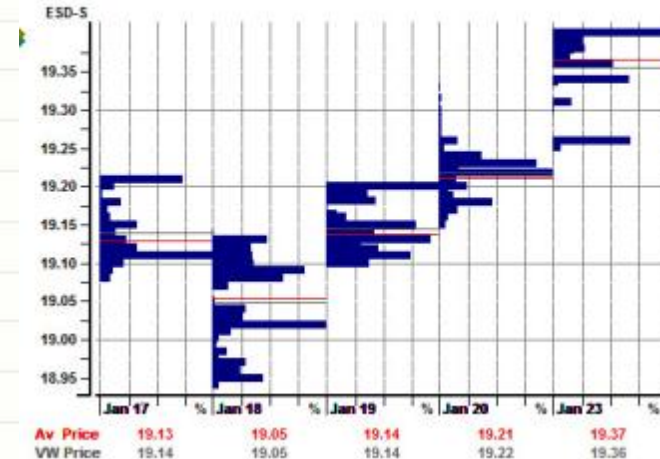
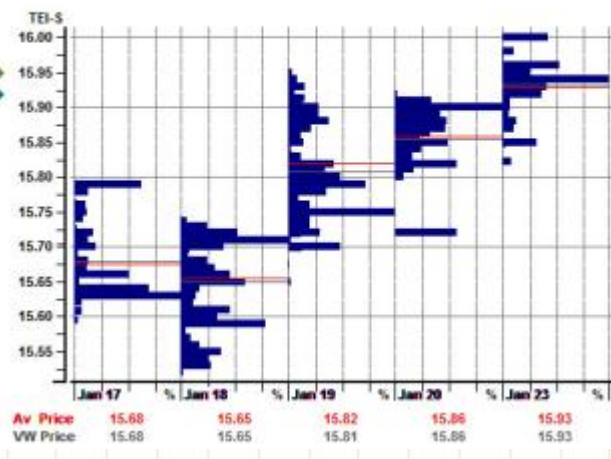


Current Disc / Prem: +3.05%
 Relative Disc / Prem: +2.77%
 1 Year Z-Stat: +0.52
 52 Week Relative Price: 45%

Current Disc / Prem: -7.52%
 Relative Disc / Prem: +0.16%
 1 Year Z-Stat:) +0.91%
 52 Week Relative Price: 79%

Symbol	Name	Last	Net	Net %	Volume
TEI	Templeton Enrg Mkts Incm Fd	15.92	0.05	0.32	79,139

Symbol	Name	Last	Net	Net %	Volume
ESD	W. Asset Emerg. Mkts Debt Fu	19.40	0.21	1.09	45,728



What is Important to You?

Top 5 Covered Call Equity Funds By:

Discount

1. ETW: -15.00%
2. ETY: -14.70%
3. ETJ: -14.62%
4. EXG: - 14.31%
5. MSP: -14.25%

Yield

1. BOE: 15.79%
2. NAI: 15.31%
3. EXG: 13.01%
4. ETY: 12.40%
5. IGD: 12.18%

Market Cap

1. EXG: \$2.67B
2. NFJ: \$1.62B
3. ETY: \$1.42B
4. ETW: \$1.15B
5. BOE: \$1.00B

OR...

Net Asset Value 1 Year Total Return

1. DPO: +12.65%
2. DPD: +9.50%
3. ETV: +8.73%
4. ETB: +8.65%
5. CII: +8.65%



Level 2 Factors

- **Net Asset Value (NAV) Trend**
 - Compared to Peers / Market
- **NAV / Market Price Divergence**
 - Good Reason?
- **Potential Dividend Growth**
 - Sector Outlook?
 - UNII Cushion?
 - Over Earning it's Dividend?
- **Discussion Boards** – What are people saying?
 - Morningstar
 - LinkedIn ... (CEF-Network.com)
- **Changes in Trading Volume**
- **Expense Ratio / Leverage Details**
- **Potential for an Open-Ending / Liquidation**



Reasons We Sell a CEF

- Changes in Market or Economic Conditions
- Fund is Overpriced
- We 'Like' The Fund but Worry About it's Future
- Believe the Dividend is at Risk
- Poor Net Asset Value Performance
- Have a Similar Fund we'd Rather Own

Reasons Not to Own a CEF

(Doesn't mean you can't make money)

- Waiting to get back to cost basis or purchased price
- Only because of its big discount
- Only because of its high dividend yield
- “I have had it in my portfolio for years, and I am a long-term investor...”
- “I have seen the manager on TV & really like him...”
- “I have no idea why I own the fund”
- “It's at a premium, so it must be good”
- “I saw a post online, but didn't do any other research”



Summary

- There are many details to consider when looking at a closed-end fund
- Data and valuation change intra-day: CEFs are not a great “buy & hold” investment
- CEFA.com, CEF Connect & Morningstar can have old, incomplete or inaccurate data → check with the Fund Sponsor’s website for the best information
- Know why you own a fund, and what would cause you to sell or reduce your position



QUESTIONS?

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