



HOW CAN YOU “LOCK IN” & CAPTURE HISTORICALLY WIDE FIXED INCOME CEF DISCOUNTS WHILE COLLECTING HIGH INCOME AND LOWERING RISK?

December 5, 2018

**John Cole Scott, CFS
Chief Investment Officer
Closed-End Fund Advisors, Inc**

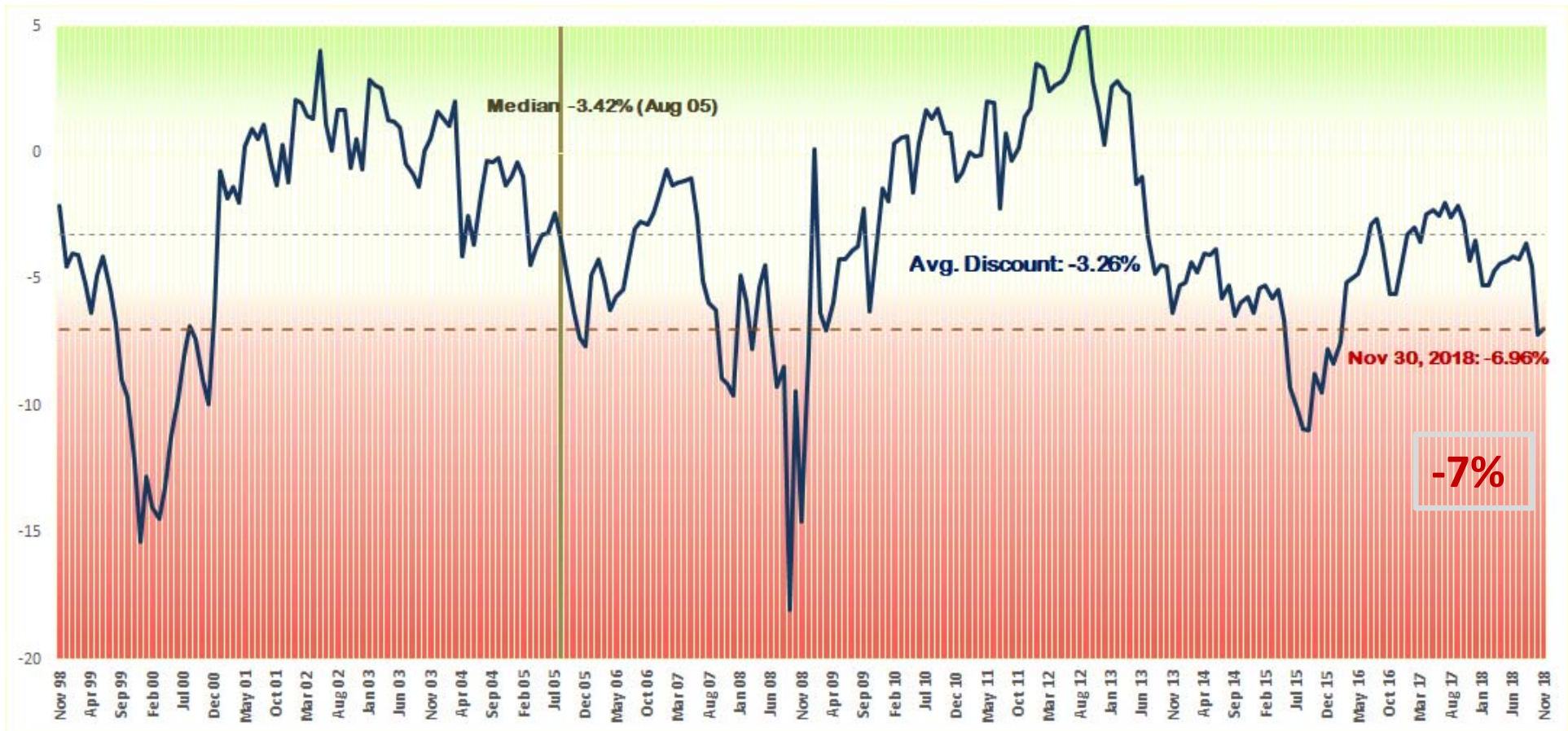
***Closed-End Fund Advisors is a SEC Registered Investment Advisory Firm Specializing
in Closed-End Fund, BDC and Interval Fund Research, Trading and Management Founded in 1989***



Closed-End Fund Advisors

20 Year Discount Chart - Taxable Fixed Income CEFs

All Funds November 30, 1998 to November 30, 2018

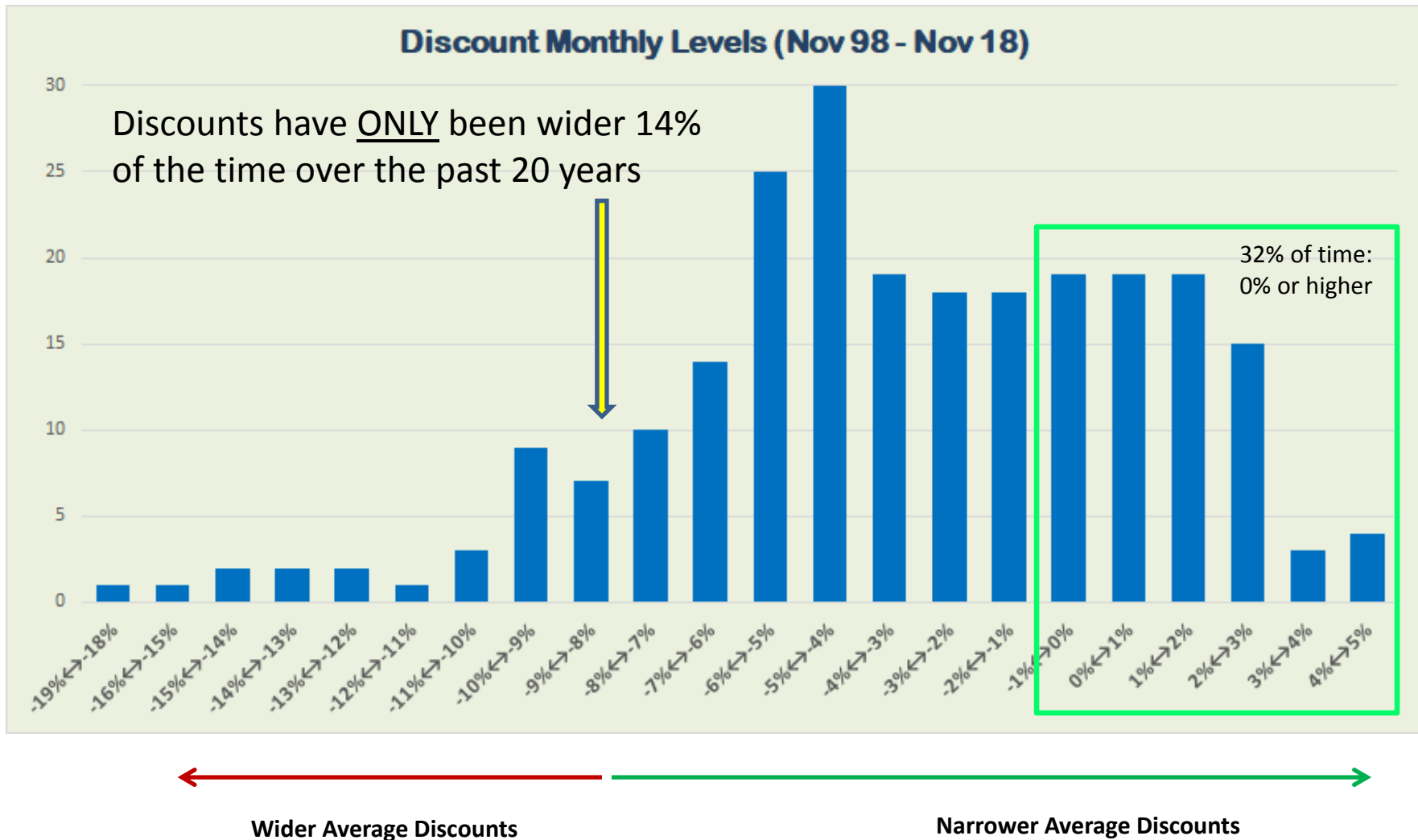


Source: CEFData.com



Closed-End Fund Advisors

Traditional Taxable Fixed Income Closed-End Funds





Discount Recovery History

- 28 of the last 240 months ended with CEF taxable bond discounts of -8% (or wider)
- On average it took 7.4 months to narrow +5% or greater and 15 months to average +10% or greater discount narrowing (from -8% or wider).
- For the 2 years following a -8% or wider discount; the average market price TR was +27.4% with a worst case outcome of -1.9% from 10/31/07 to 10/31/2009 (Financial Crisis). This was the ONLY negative 2 year period.
- 3 Year TR averaged +34.6% (1 period w/o 3 year results) and 5 Year TR averaged +58.4% (7 periods w/o 5 year results).
- Best Outcomes: (5 Year TR) were if when invested 11/28/08 OR 3/31/09 with a +152% and +144% TR respectively. (Buying when “most fearful”)

NOTE: Past results cannot guarantee future results, discount narrowing does not guarantee positive performance as it is anchored to the net asset value (NAV) of a fund which can go up or down.



Closed-End Fund Advisors

Taxable Bond & BDC Index – Recent Discount Moves

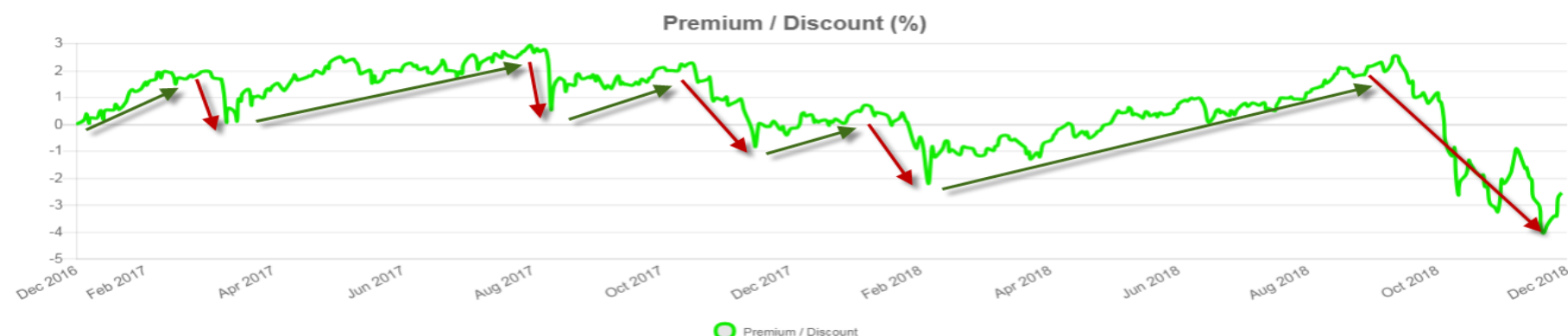
<http://cefdata.com/index/details/403/>

INDEX PERFORMANCE

	Current(\$)	Previous Day(%)	1 Week(%)	1 Month(%)	3 Month(%)	6 Month(%)	1 Year(%)	3 Year(%)	5 Year(%)	MTD(%)	QTD(%)	YTD(%)
Price	1,071.78	0.24	1.61	-0.47	-6.09	-4.17	-2.17	7.27	4.89	-0.47	-5.48	-3.33
NAV	1,099.98	0.22	0.38	-0.61	-1.58	-0.92	-0.00	5.90	4.75	-0.61	-2.24	-0.55
Difference		-0.03	-1.23	-0.13	4.51	3.25	2.17	-1.37	-0.14	-0.13	3.24	2.79

** Periods greater than 1 Year are annualized. ** On Inception Date (12/30/16), Index Price was \$1,000 and NAV was \$1,000.00*

DISCOUNT



PORTFOLIO Weighted Average Data				
Discount -4.81%	1Yr Disc -2.27%	3Yr Disc -2.78%	5Yr Disc -3.74%	Rel Disc Range (3yr) 38.81%
Mkt Yield 8.43%	Lev Adj NAV Yield 6.27%	After Tax Yield* 6.52%	Est Tax Friction* 1.91%	3Yr NAV Volatility 5.74
1 Yr RoC 6.04%	3 Yr Dest RoC 3.92%	Leverage 30.13%	Non Lev Exp Ratio 1.66%	Beta (2yr) 0.18
Equity Exposure 2.18%	Bond Exposure 94.59%	# Holdings 78	Cash Weighted Duration 4.47	
Comp NAV TR 1.01%	Comp Discount 2.61%	Net Assets (M) 830	Liquidity - 90d (K) 2,728	

** Based on marginal tax rates of 25% and long-term capital gains rates of 15%.*

Source: CEFData.com



Closed-End Fund Advisors

CEFA/SR TAXABLE FI DISCOUNT CAPTURE COLLAR

[HOME](#) [VII](#)

DATA AS OF NOVEMBER 30, 2018 . PORTFOLIO HOLDINGS: 24 . LAST MODIFIED: NOVEMBER 28, 2018

DATA DEFINITIONS

FULL CEF PORTFOLIO Weighted Average Data		
Discount -12.77%	1Yr Disc -9.43%	5Yr Disc -9.05%
Comp Discount -5.49%	Mkt Yield 8.68%	Lev Adj NAV Yield 5.76%
Comp 1YR NAV TR -1.81%	1Yr Price Volatility 9.9	3Yr NAV Volatility 6.3
Cash Weighted Duration 4.48	Gross Asset Exposure \$1.51	2 Year Beta 0.23
1Yr RoC 15.57%	3Yr Dest RoC 11.02%	Estimated Tax Friction 1.79%
Leverage 31.77%	Leverage Cost 1.23%	Non Lev Exp Ratio 1.40%
* Weighted data relative to full portfolio allocation ** Marginal Tax Rate: 25.00%, LT Gains Tax Rate: 15.00%		
CEF BOND SPECIFIC DATA (100%) Weighted Average Data		
Earnings Coverage	87.8%	
Investment Grade	33.4%	
Non Investment Grade	58.2%	
Unrated Bonds	8.4%	
Duration	4.5	
* Weighted data relative to CEF Bond and Preferred Equity Allocations		

INCOME					
Pending Distribution 0.14%					
TOTAL RETURNS Weighted Average Data					
	1MO	3MO	6MO	1YR	3YR
Price	-0.09%	-6.06%	-5.94%	-7.08%	21.32%
NAV	-0.64%	-2.40%	-2.09%	-2.61%	16.90%
GROUP ALLOCATION Weighted Average Data					
High Yield Bond			25.0%		
Global Income			18.0%		
Loan Participation			18.0%		
Preferred Equity			17.0%		
Convertible Bonds			12.0%		
Multisector Bond			5.0%		
Emerging Market Income			5.0%		
* Weighted data relative to full portfolio allocation					

Updated Summary Data: <http://cefddata.com/portfolios/1443/summary/>

Source: CEFData.com



Closed-End Fund Advisors

CEFA/SR Taxable FI Discount Capture Collar [HOME](#) [SUMMARY](#)

Holdings Correlation - Price

Holdings Correlation - NAV

Groups Correlation - Price

Groups Correlation - NAV

Groups Vs. CEFU PG

GROUPS PRICE CORRELATION (2YR)

Weighted Correlation: 0.52

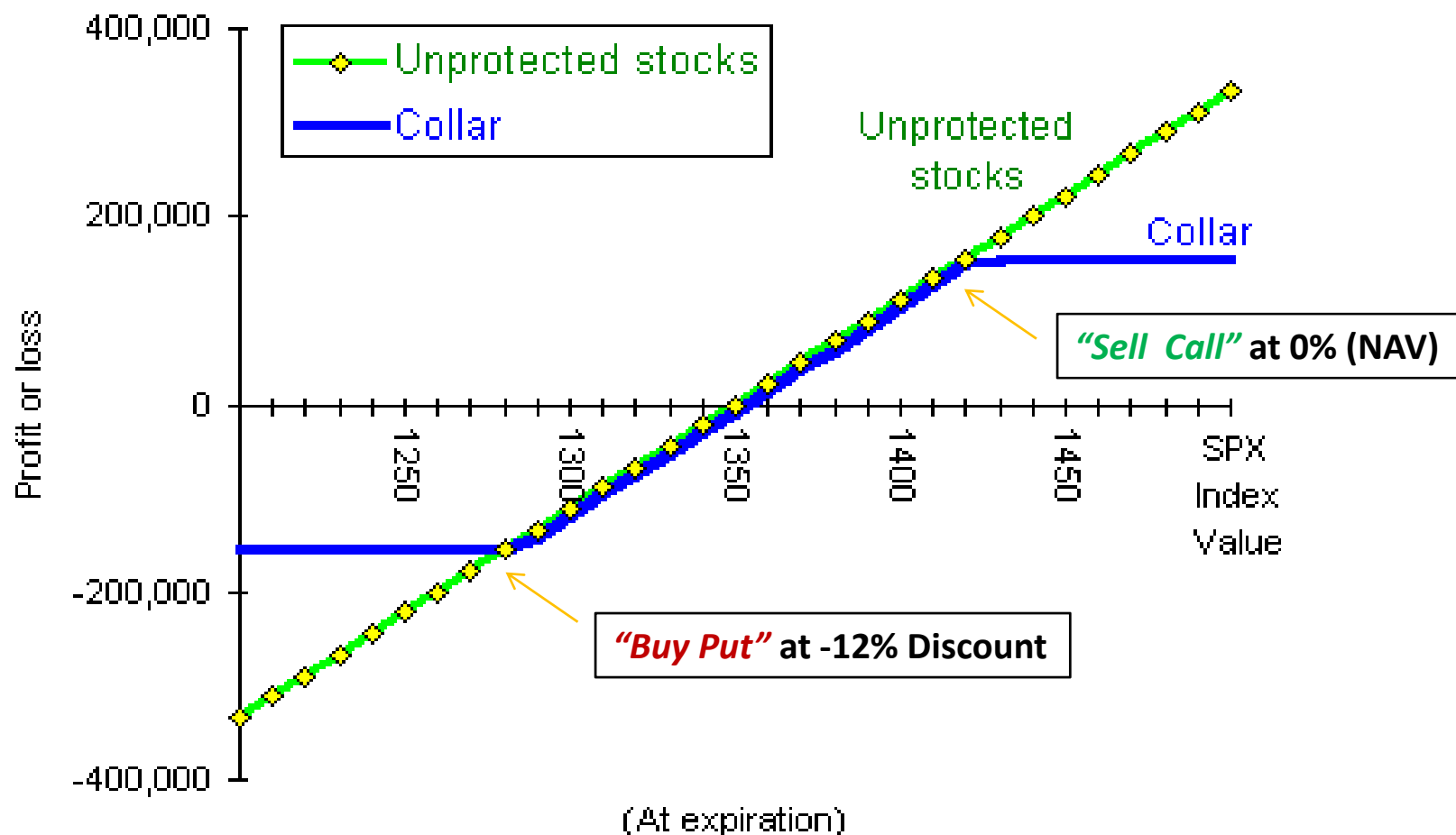
	HY Bond Group	Senior Loan Group	Pref Equity Lev Group	Global Inc Group	Convertible Group	Emerg Market Inc Group	Multisect Bond Group
HY Bond Group	-	0.54	0.60	0.67	0.72	0.54	0.46
Senior Loan Group	0.54	-	0.43	0.45	0.50	0.37	0.35
Pref Equity Lev Group	0.60	0.43	-	0.46	0.50	0.38	0.46
Global Inc Group	0.67	0.45	0.46	-	0.56	0.77	0.46
Convertible Group	0.72	0.50	0.50	0.56	-	0.48	0.53
Emerg Market Inc Group	0.54	0.37	0.38	0.77	0.48	-	0.32
Multisect Bond Group	0.46	0.35	0.46	0.46	0.53	0.32	-

Correlation over previous 2 years, using weekly total returns. Data as of 11/30/2018.

Source: CEFData.com

Closed-End Fund Advisors

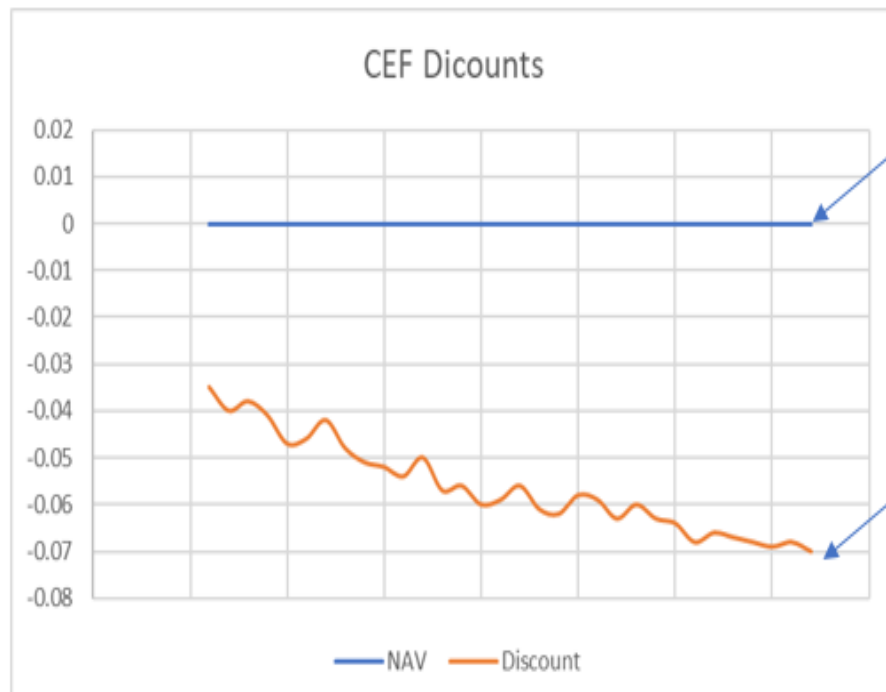
Protective Collar





Closed-End Fund Advisors

CEF Option Collar Expectations



Sell Call

Buy Put

Assuming no basis risk:

- Receive yield
- Earn Discount Appreciation

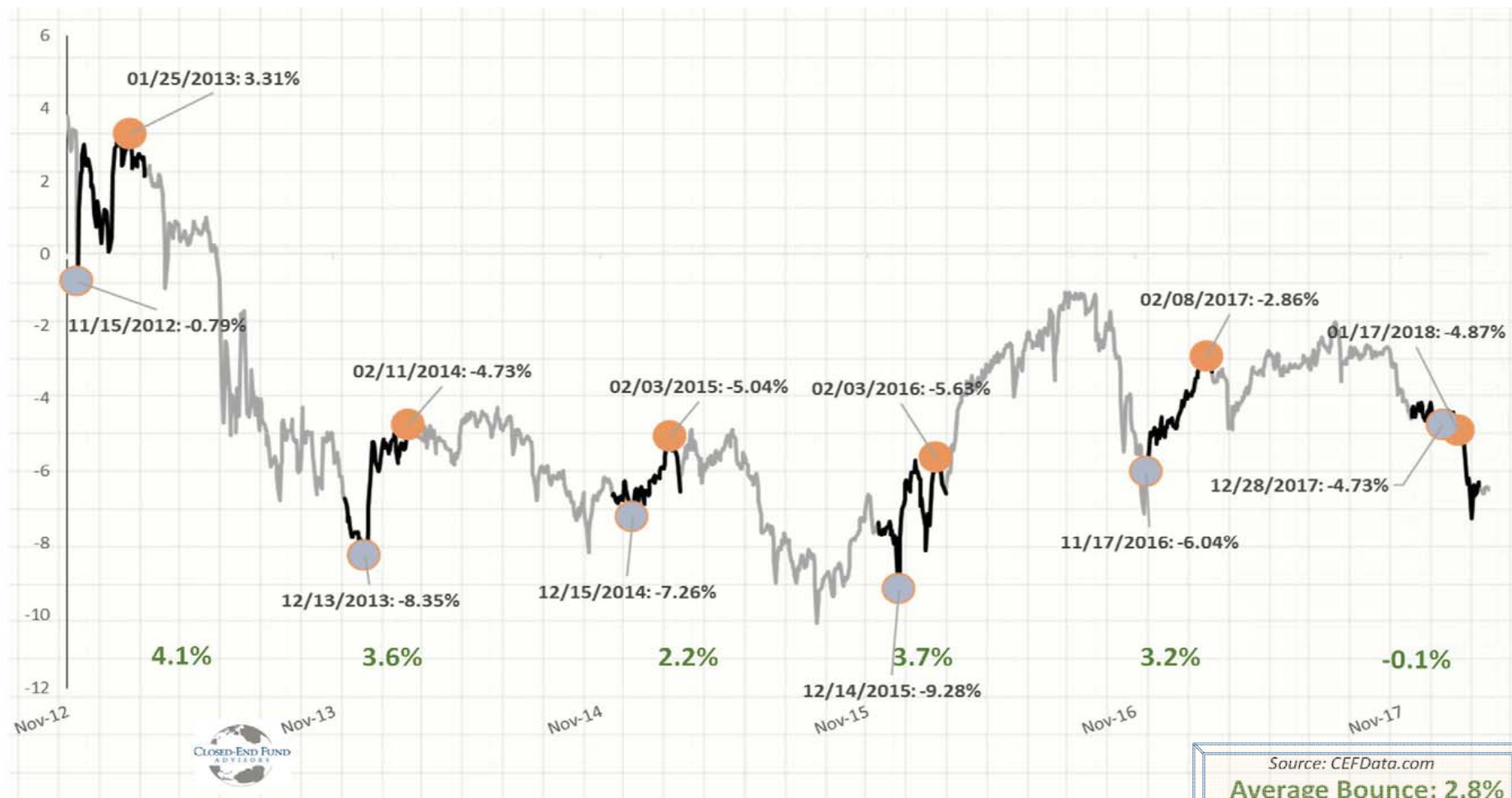
	Price Appreciation	Yield	
2.00%			Up
1.00%			Neutral
0.00%			Down
-1.00%			
-2.00%			
-3.00%			
-4.00%			
-5.00%			
-6.00%			
-7.00%			
-8.00%			
-9.00%			
-10.00%			
-11.00%			
-12.00%			



Closed-End Fund Advisors

Discount Trends & Tax Loss Selling

BOND CEFs





Closed-End Fund Advisors

Summary on Portfolio Concept

- “Lock in” -13% *Historically Wide* Discounts and 8.7% CEF Yield in a **CEFA Selected Portfolio of Fixed Income CEFs**
- Can include (BDCs) and interval CEFs to potentially reduce volatility and duration
- Help protect against “market risk” with a custom HYG option collar by SpiderRock (45% risk reduction)
 - **BUY** Put based on CEF Discount and **SELL** ATM Call – Adds about 1.5% yield (covers fees)
 - Typical “*January Effect*” **+2.8% “Tailwind”** for CEF Discounts (average)
- Every \$ in Managed Account Controls \$1.51 due to leverage and discounts
 - Current Portfolio Model offers a blended 6% yield on \$1.45MM = \$1MM CEFA Managed & \$450K in CASH or 8.7% if 100% invested.
 - Account Custodian: TD Ameritrade
 - Minimum Account \$1MM for Beneficial Tax Treatment of Options
 - Combined CEFA / SpiderRock Fee: 1.45%

Speaker's Biography



John Cole Scott, cfs

EXPERIENCE

**CIO of Registered Investment Advisor
Focused Exclusively on CEFs, BDCs &
iCEFs since 2001**

EDUCATION

**College of William & Mary
Bachelor of Science in Psychology 2000**

John Cole Scott, CFS
*Chief Investment Officer of
Closed-End Fund Advisors*

Mr. Scott has worked at Closed-End Fund Advisors since 2001. He holds the FINRA 66 License and the Certified Fund Specialist designation (CFS). He is a graduate of The College of William and Mary and has been quoted and interviewed widely in the financial press and presented at conferences and for investment groups on more than 40 occasions.

In 2008 John founded *CEFA's Closed-End Fund Universe (CEFData.com)*, a comprehensive data service covering all US listed closed-end funds, BDCs as well as interval funds. He founded and manages The CEF Network group on LinkedIn and is editor of the firm's blog. John is a past board member of The Richmond Association for Business Economics (RABE), Current Board Member and Finance/Investment committee for The College of William & Mary Alumni Association. He serves on the Investment Committee and as Assistant Treasurer for The New York State Society of The Cincinnati.



www.CEFadvisors.com // www.CEFdata.com



DATA, RESEARCH & INVESTMENT MANAGEMENT

Closed-End Fund Advisors

Thank You For Attending Questions?



SpiderRock Advisors, LLC
300 South Riverside Plaza, Suite 2350
Chicago, IL 60606
312.256.9650
BDinger@SpiderRockAdvisors.com

Closed-End Fund Advisors, Inc

7204 Glen Forest Drive, Suite #105
Richmond, Virginia 23226 U.S.A
(800) 356-3508 / (804) 288-2482
Sales@CEFadvisors.com
www.CEFadvisors.com

Disclosures

Important: The information should not be considered an offer, or solicitation, to deal in any of the mentioned funds or sectors. The information is provided on a general basis for information purposes only, and is not to be relied on as advice, as it does not take into account the investment objectives, financial situation or particular needs of any specific investor.

Any research or analysis used to derive, or in relation to, the information herein has been procured by Closed-End Fund Advisors (“CEFA”) for its own use, and may have been acted on for its own purpose. The information herein, including any opinions or forecasts has been obtained from or is based on sources believed by CEFA to be reliable, but CEFA does not warrant the accuracy, adequacy or completeness of the same, and expressly disclaims liability for any errors or omissions. As such, any person acting upon or in reliance of these materials does so entirely at his or her own risk. Any projections or other forward-looking statements regarding future events or performance of countries, sectors, markets or companies are not necessarily indicative of, and may differ from, actual events or results. No warranty whatsoever is given and no liability whatsoever is accepted by CEFA or its affiliates, for any loss, arising directly or indirectly, as a result of any action or omission made in reliance of any information, opinion or projection made in this presentation.

The information herein shall not be disclosed, used or disseminated, in whole or part, and shall not be reproduced, copied or made available to others without CEFA’s expressed written permission. CEFA reserves the right to make changes and corrections to the information, including any opinions or forecasts expressed herein at any time, without notice. Data comes from our CEFData.com (formerly CEF Universe) as of November 30, 2018 unless otherwise noted.

